

JPRS-EER-90-135
28 SEPTEMBER 1990



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JPRS-EER-90-135

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NOTICE TO READERS: Beginning 4 October 1990, the GERMAN DEMOCRATIC REPUBLIC section of both the East Europe DAILY REPORT and the East Europe JPRS REPORT will cease publication. Also on that date, the FEDERAL REPUBLIC OF GERMANY section of the West Europe DAILY REPORT will be renamed GERMANY. The GERMANY section of the West Europe DAILY REPORT will include material previously published under the FRG, GDR, and German Unification rubrics, as well as material previously found in the GERMAN DEMOCRATIC REPUBLIC section of the East Europe JPRS REPORT.

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INTRABLOC

Rabid Anti-Hungarian Diatribe in Romanian Weekly Reviewed

90CH0373A Budapest NEPSZABADSAG in Hungarian
24 Jul 90 p 2

[Article by v.p.: "The Hungarians Would Much Rather Fight With the Eskimos; ROMANIA MARE: Tokes Is Strangling Us"]

[Text] Laszlo Tokes, the bishop of Oradea Mare, was attacked with extreme virulence by ROMANIA MARE [Great Romania] in that weekly's Sunday edition.

ROMANIA MARE made the most fantastic allegations. Already given to anti-Hungarian outbursts at the time of the [Ceausescu] dictatorship, the well-known writer Corneliu Vadim Tudor now goes back all the way to the time of the original Hungarian settlement as a point of departure for his rabid attack against Laszlo Tokes. He wants to prove how barbaric, uncivilized, and intolerable people the Hungarians are given that even their king, Attila, had supposedly suffocated in his own vomit. In Tudor's opinion, to this day the Hungarians have never recovered from the shock of finding a thousand years ago an advanced civilization here [on Romanian land], and that is the reason they could not feel comfortable in Europe but started to migrate and to scatter across the world.

The author regretfully opines that it would have been preferable if the Hungarians, from their original homeland in Asia, would have migrated straight across Alaska to North America and thereby relieved Europe of their millennial destructive presence there. Everyone, even the Hungarians themselves, would have been better off because of it, for they would not now be bickering with the Romanians about Transylvania as well as with the Czechoslovaks, the Serbs, and other nations on account of all kinds of issues. Indeed, they would be fighting with the American Indians and the Eskimos. It is to the latter that the Hungarians would be proving with entirely legal documents that it is they, the Hungarians, who had been the first to reach the ancestral land or glacier of the others.

Thereupon, Corneliu Vadim Tudor mentions "the megalomaniac overreach of some individuals," targeting Laszlo Tokes who, according to the author, had been an illustrious unknown until December 1989. However, following the bloody events of that time, Tokes became as well-known as Erzsebet Bathory or Cicciolina, to mention only "two examples among notorious Hungarian women."

Corneliu Tudor specifies: "We, Romanians, were indeed surprised that our redemption should originate from a Hungarian priest." Everybody in Romania was watching with bated breath the resistance displayed by the Protestant pastor of Timisoara, as Radio Free Europe also reported.

"But why? Barely two months after the December events the shameful Timisoaran scenario became increasingly clear. What finally happened is that taking advantage of the people's discontent, in the wake of the events in Sofia and Berlin, a few thousand agents who had infiltrated from Budapest caused the death of several dozen innocent Romanians shot by the Hungarians, I truthfully vouch," the author writes.

In connection with the Timisoara trial, Corneliu Vadim Tudor notes that any army in the world would have fired at vandals causing a billion's worth of damage. Despite all this the writer suspects that, at least in the initial stage, it is not the Romanians who used their weapons. One reason that this script would not have been necessary is that a coup d'etat had already been hatched in Bucharest, and perhaps it would have been better if the subsequent events had occurred without the assistance and blood sacrifice of the Hungarians. This is all the more true as the one whom the Hungarians had chosen as their standard bearer in the Romanian revolution is in a state of decay, just like an embryo placed in formaldehyde.

The writer then goes on in the following vein: "I heard that Tokes is a candidate for the Nobel Prize too, which he could easily win if they slightly altered the last will and testament of the inventor of dynamite, and the prize is now conferred for pandering and shamelessness as well. It is sad, but one of the most pointed maxims regarding selfishness is of Hungarian origin: The adage holds that the hand of every saint is tilted toward himself. Except that Laszlo Tokes rests one of his hands on his breast while he chokes our throat with the other. And if we consider that several dozen young people died for him, deluded by our neighbors, psyched up by hot paprika...."

Tokes has been criss-crossing the world for half a year now, the author of the article charges, initiating interviews. He is soiling that country which sent him to school and tolerated that he violate not only the proprieties of priesthood but also the laws of humanity. In the fashion of a true coachman, he levels hefty abuse at the several-million-member Vatra Romaneasca. He hatefully characterizes the [Romanian Government] coalition as paranoiac and reactionary. He accuses the Romanian population of Transylvania with responsibility for the subsequent disturbances. He slanders the Bucharest authorities as well, claiming that they were once again successful at deceiving the United States.

"What is your problem with us, you little priest? Why don't you go and join your own kind in Budapest in that building bristling with antennas and electronic devices from which you receive your instructions and tens of thousands of dollars! Don't you like it in Romania? Then go, little father, to your own kind, which is where the strands are leading you anyway. Your apostolic mission on Romanian soil is over. You can now openly display your colors, but not here because Romanians do not favor foreign agents. It is now clearer than ever that it is

not God who inspires your footsteps but rather the Horthy legacy which you have served as well as the Bible. It has become clear that like Nero you dream of slitting the throat of Romanians with a single gesture.

"Begone before you concoct another play about how the leaders in Bucharest are plotting this or that or about how Hungarians cannot prattle in their own language. Pick up your tent, Uncle Laci, for you have unquestionably looked down at us as stupid bumpkins. We would like not to feel your breath on our throat, you arrogant and sinful Pharisee, you who preaches about love but studiously destroys people, who speaks in loud, strident tones about the peace of Christian family life but secretly dreams about ruling a harem with a whip, who affects concern for peace among men but rejoices at the thought that Romania could become the Lebanon of the old continent. It is diabolical to request that Romania not be granted the most favorable [commercial] terms and other forms of assistance. It is satanic to encourage the starving of that people who at one point defended you with their blood while you gorge yourself at receptions around the world, devour delicacies, sate yourself with potfuls of goulash, and guzzle Tokay wine. If you have nothing to do with God, how do you figure that you could have anything to do with the Romanian people? Away with you, Satan!"

One would be inclined to dismiss the above by opining that stupidity to such a point is grotesque. It is reminiscent of that illustration of a horse on the cover of a veterinary textbook showing the animal as being afflicted with everything, without ears or a tail. Corneliu Vadim Tudor's article bespeaks of immaturity, slander, individual and collective disloyalty, and of a muddled distortion of history to a degree that is rare. Yet it is still not ridiculous, for one cannot laugh at it. Fascism is indeed never laughable and the spirit of ROMANIA MARE's article recalls the spirit of the fascist writings of the early 1940's. The Hungarians, whose "king" is supposed to have suffocated in his own vomit, should now be fighting American Indians and Eskimos according to the account, considering that they have never recovered from their lower cultural level—such is indeed the "teaching" about lower-level nations. As for lambasting the bishop who was revered by the entire world for his unshakable yearning for freedom in the following style: "What is your problem with us, you little priest? Go to your own kind in Budapest." That is also undeniably the rhetoric of fascism. That rhetoric is very familiar, especially to the older generation. "Go, then, little father, to your own kind" used to be the watchword for resettlements, for deportations. The dehumanization of the adversary was typical of fascism: The deprivation of a human face for the opponent was subsequently used to justify any brutality leveled at him. Corneliu Vadim Tudor has taken a well-trodden path. As one who claims to know history, perhaps he can also recall where such a road leads. Others will remember it, too.

Democratic, Antitotalitarian Forum Founded

90CH0379A Bucharest ROMANIAI MAGYAR SZO
in Hungarian 12 Aug 90 pp 1, 4

["Text" of Proclamation]

[Text] Democratic Antitotalitarian Forum [DAF]—Kolozsvár [Cluj]; Proclamation

As a result of its ideology, of people who helped it prevail, and of the manner in which it was applied, communism proved itself not only to be utopian but was also deeply inhuman and anti-Christian.

Communism was forced upon our country by Stalin's tanks, with the help of a few hundred traitors. At the very beginning already, it evoked an insurrection of the entire nation, among the most outstanding political and cultural personalities, in the ranks of democratic political parties and of the army, within the church, and in education. All these anticommunist forces constitute the great Romanian island of Gulag, which paid with many hundreds of thousands of victims. The insurrection which has accumulated in the souls of all the people exploded in December 1989. Eight days after the revolution—a revolution which was not only anti-Ceausescu, but primarily anticommunist—we were outraged to note that the ideals proclaimed at that time with the devil's scheme, are being constrained between increasingly narrower limits. This outrage increases with the passage of each day. Still, beginning in the first days they constantly sustained perfectly directed conflict situations, and continue to feed these situations today:

- conflict between the intelligentsia, workers, and students;
- spreading of false rumors about party conflicts, about a "coup d'état";
- the establishment of phantom parties whose role it is to oppress the strength of traditional parties;
- ethnic conflicts;
- religious conflicts, etc, whose settlement is delayed from one day to the next.

The so often voiced slogan concerning the separation of state powers continues to remain the subconscious image of a wishful dream. They are taking advantage of a parliamentary majority which was achieved by defrauding the Romanian electorate, and by restricting the traditional parties' opportunity to function. This was accomplished by spreading false information and half truths in the press and on television. We find ourselves confronted by a parliament with a one-sided outlook, and with an executive organ represented by the same state apparatus. The Ministry of the Interior, the increasingly active Securitate—even if under a different name—remains the same. Similarly, the long compromised prosecutorial office, and the same Justice apparatus operates as an organ to administer justice. They are

still subordinate to [state] power and exercise the power of judges. Legislation enacted thus far opens a broad opportunity for dictatorial, if not entirely anti-democratic maneuvers. For example: Law No. 54/1990, the appointment of [county] executives and mayors from the top, restriction on public assembly, etc. The restructuring of the economy—due to [artificially] created restrictions, and the lack of any kind of support from state organs—is limited to the symptomatic resolution of something that was born dead from the outset.

All these facts have deeply damaging effects, and demand that all antitotalitarian forces of the country unite, irrespective of profession, faith, nationality. For the same reason there is a need for the development of a unified movement in the interest of a future common homeland which we all wish to see.

In this spirit, today, 6 August, We established in Kolozsvár the Democratic Antitotalitarian Forum. This civic organ regards as its function to firmly engage itself in a struggle for the following goals, while using democratic means and strictly observing legal requirements:

1. Democratization of our entire society's life while strictly respecting human rights specified in international agreements to which also Romania is a signatory.
2. Recognition and enforcement of the individual and collective rights of national minorities in every field of political, social, cultural and civic life, as that is prescribed in the Universal Proclamation of Human Rights, international agreements and documents to which also Romania subscribes.
3. Any category of society has a right to organize itself in professional organizations, which enjoy the most far-reaching freedom and independence. The DAF will oppose any endeavor to revive the structures of the RSZASZ [expansion unknown] and opposes efforts to control the trade union movement.
4. We find it necessary that the old Securitate be liquidated, and that utilization of similar organs to enhance party or group interests be prevented.
5. A legal framework must be established so that real pluralism may function, in which the opposition is a loyal debating partner, a means of societal control so that legality is strictly observed, support for state leadership in the implementation of constructive measures and at the same time the representative of an alternative program and government.
6. The actual separation of state power.
7. Democratic institutions which correctly reflect and enforce the peculiar, traditional values of our communities must be established: in the administration of justice, education, the army, and in the church. The state should not be able to interfere with the activities of these institutions.

8. Elimination of hatred and adversity from society, society and social conditions must be rebuilt in the spirit of love and harmony.

9. The in-depth redirection of the economy toward a market economy. Since a profitable economy is inconceivable without capital investment, regaining the confidence of global economic great powers is urgently needed.

10. We must urgently return to Europe. This is a function of the need for the people of Romania to once again regain the confidence manifested toward them by European countries. The condition for this confidence is the actual democratization of the country, and respect for European intellectual values.

Our cause is the country's cause, the cause of human love and dignity. Our struggle is motivated by pure democracy. We are experiencing the moments of unification, courage and magnanimity.

We call upon the personalities of cultural and political life, and professionals in all fields of activities to join us.

If in various parts of the country democratic antitotalitarian forums similar to the one in Kolozsvár are established, it will become possible to develop this opposition organization into a national organization, and into the sole organ capable to successfully stand up against the neocommunist power.

This proclamation appeals to all antitotalitarian formations which exist at the local or national level. We call upon them to join our ranks, in order to realize the ideals and goals of the DAF.

Kolozsvár, 6 August 90

Christian and Democratic National Peasant Party
National Liberal Party
Democratic Party
Democratic Association of Hungarians in Romania
World Federation of Free Romanians
Independent Romanian Forum
Social Democratic Party
The AGRORA newspaper
Independent citizens from Kolozs County: Doina Cornea, Adrian Marino
Society for Human Rights

Hungarian Central Bank Puzzled by Czechoslovak Restriction on Exchanging Forint

25000782D Budapest MAGYAR HIRLAP in Hungarian
10 Aug 90 p 1

[Article by -farkas-: "Hungarian National Bank Not Informed; One May Only Guess; Why Is the Exchange of Forints Restricted in Czechoslovakia?"]

[Text] The Hungarian National Bank [MNB] was stunned to learn of a decision by the Czechoslovak State Bank according to which the the amount of forints that

may be exchanged into crowns is limited at the 8,000 crown level. They were not even informed of this measure. True, it would not have been their duty to provide such information. This is why reporting the news was left to the Hungarian press.

This was a fully unilateral measure, according to Ferenc Bacsí, a Ministry of Finance international division official. "I can only make assumptions as to what lead them to take this step. Prices increased significantly in Czechoslovakia in early July, and they like to visit Hungary. At the same time the foreign exchange market is also flourishing in Czechoslovakia, and the exchange rate on the black market increased. This is why many tried to exchange in Hungary the forints purchased for crowns into dollars, or the same forints into schillings in Vienna. This is even more advantageous from their standpoint than if they exchanged crowns into schillings. I simply cannot find any other explanation. This measure will not slow down the demand for forints in the future; one should not pin hopes on that."

On 30 June 1990 the Czechoslovak State Bank had 2 billion forints in bank notes and 1.477 billion forints worth of travelers checks, while a year ago it had 1.2 billion forints in bank notes and 1.5 billion forints in checks, we learned from Mrs Bagoly, Katalin Hiro, head of the MNB foreign exchange control division.

But what interest motivates the Czechoslovak bank to protect its forint supplies? After all, the two countries' banks will notify each other in early September whether their money supplies prove to be sufficient for a year. The argument presented by the Czechoslovaks, which holds that the interest expressed in forints is too great, does not appear to be acceptable. Could it be perhaps that by [restricting the forint amount that may be exchanged] it was their purpose to bring about an agreement between the MNB and the Czechoslovak central bank as soon as possible? For the time being one may only guess what the answer is.

CZECHOSLOVAKIA

Doubts About Planned Federal Arrangement

90CH0377A Prague LIDOVE NOVINY in Czech
13 Aug 90 p 1

[Article by Jan Urban: "Playing for the State"]

[Text] The communique from the summit in Trenčianske Teplice claims that "by accepting the proposed principles our common federation will not be weakened, on the contrary, the federation will be consolidated in its genuine form." Somewhat threatening is the postscript, according to which it is a "guarantee that we shall avoid the disintegration of the state." Nine departmental commissions of experts were given a mere 20 days to work out instructions for how and what of their sphere of activity to divide between the state administrations and what to keep in the federal administration. Economic

and political problems, which have been accumulating for decades, are to be resolved in 20 days. Resolved according to the simplest of principles, the nationality principle.

The world remembers similar simple divisions, in which economic as well as rational considerations were pushed aside, and under the threat of a growing influence of extremist groups measures that were not thought through well enough were adopted. Such seemingly simple divisions never fared well. India and Pakistan, Northern Ireland, Cyprus, Lebanon, Kosovo. In all of them, instead of a patient building of sensible supranational and democratic comity, the effort prevailed to put the problems behind them as quickly as possible by simply nationalizing them. It is difficult to imagine the division of something like the transportation system in the way demanded by some Slovak politicians. Are we going to count the locomotives and the railway cars? Or perhaps beginning as early as tomorrow keep the newest ones in "our territory", so that when the apportioning starts they would be left with us? Shall we divide up the airlines and shipping lines? Are we going to stop applying the principle that the only requirement for an applicant for a government job should be the applicant's qualifications? Or shall we perhaps in the future appoint generals, colonels, and maybe even all majors in our Army not according to their abilities but according to the nationality of their parents? Does that perhaps mean that the federation will purchase from the republics arms and accoutrements for the Army that were manufactured on their territories?

It so happens that a total division of the economy on the basis of nationality, when thought through to its ultimate consequences, means a strengthening of centralist objectives, this time based in the republics. It means an increase in the administration. How much will Czechs and Slovaks have to pay for this headlong second nationalization? The possibility, of course, presents itself to explain it as the first step toward privatization. We can create joint Czecho-Slovak companies, which will manage the indivisible oil pipelines and gaslines. But we shall always only create another preserve of government interference in the economy, which we must subject as quickly as possible to the conditions of a true, that is global and not national, market. If we really want to stabilize the federation in its genuine form, then let us act in the best interests of the federation. To that end, we must separate the economy from the domain of the government, as is the case around the world. And for the government it must apply, as is done around the world, that without regard to nationality, belief, sex, or race only the most able, only those who passed through the grid of hard, qualifying tests, will be appointed.

However, the communique from Trenčianske Teplice leaves us, the federalists, one hope. The summit participants propose to accept even before the constitutions are approved "a constitutional document in the form of a Charter of Human Rights and Freedoms, which would be the expression of the joint will of the Federal

Assembly, the Czech National Council, and the Slovak National Council." This step would put the federation on a truly new basis. It would make possible the immediate formation of a constitutional judiciary which would study all further decisions of the republics and the federal agencies for possible conflict with this Magna Carta. That would have a tremendous impact at home as well as abroad.

Our game would at last have some rules.

Reorganization of Laws, New Technology Necessary for Cleanup

90CH0293A Oslo AFTENPOSTEN in Norwegian
5 Jul 90 p 12

[Article by Ole Martin Bjorklid: "Assistance From West Needed for Environmental Cleanup; Czechoslovakia Does Not Have the Technical Equipment To Clean Up the Nation's Enormous Environmental Devastation; It Needs Assistance From Western Nations"]

[Text] This is the conclusion of Norconsult in its report commissioned by the United Nation's Development Programme (UNDP). Norconsult's assignment was two-fold. It examined the need for improving cooperation and coordination for environmental protection in Czechoslovakia. Under the former regime, the work was sporadic and disorganized. For this to change, a local and regional administration must be developed which can work systematically with environmental protection, Norconsult believes. In addition, Norconsult evaluated 35 different environmental protection projects in the country. Three of the evaluations recommended UN assistance. The first concerned achieving a more effective environmental protection administration in Czechoslovakia. Much of the legal structure is old and needs revision. Officials in the government are working on a proposal for a new environmental protection law.

The second project which Norconsult regards as interesting concerns the dissemination of information to industry and the public. It stresses, in particular, an increase in the flow of information from Czechoslovakia to the Common Market and Western Europe. The third, and certainly the most important project, concerns what is to be done with the huge mounds of toxic waste deposited throughout the countryside.

Officials Are Receptive

Erik Borset and Per Arild Garnasjordet of Norconsult say they were surprised by the receptive attitude shown by officials during their visit to Czechoslovakia. "They know that the country has an environmental problem and that it is extensive. The authorities understand that there will be heavy consequences if something is not done quickly," said Garnasjordet. During the trip, they made a visit to North Bohemia, which has severe environmental problems. A huge dumpsite for toxic chemical waste is located just outside the town of Usti nad Labem. It has been in use since 1907 and looks like an artificial

volcano. Toxics such as arsenic, mercury, and organic chlorine are dumped here. Many of the substances are carcinogenic. The source of the waste is a major chemical factory.

A small village with large tracts of agricultural land lies 500 meters from the toxic mound.

"It was frightening to see this environmental bomb, which is destined to remain where it lies. There is a plan to build a comparable dumpsite nearby," said Borset.

More Ecology-Minded

The attitude of industry toward environmental protection has changed in recent years. Erik Borset and Per Arild Garnasjordet believe that industry has the capability to reduce effluence, but that it needs more contact with the West in order to obtain equipment.

"Many data firms are working hard to sell equipment to the East European countries. Some of the equipment does not correspond to Czechoslovakia's needs. Because of this, it is essential that Czechoslovakians become familiarized with the experience we have had with modern technology in our part of the world," said Garnasjordet.

Long Road Ahead

Despite the fact that officials are willing to do something about the environment, there is still a long road ahead. Much will depend upon energy policy. Currently, the environmental protection administration is discussing the use of atomic energy. "They are trusting in its ability to provide needed energy," said Garnasjordet. There are presently two large nuclear power plants in operation, and there is a plan to build a new one just a few miles from the border with Austria. No serious attempt to protest the plant has been made. Minister for the Environment Kristin Hille Valla will visit her counterpart in Czechoslovakia this fall in order to conclude an agreement for cooperation between the two countries. The agreement pledges Norway's assistance in reducing pollution in Czechoslovakia.

HUNGARY

Grosz' 1989 Secret Speech

'Text' of Speech

90CH0316A Budapest TALLOZO in Hungarian
18 Jun 90 pp 1164-1165

["Text" of secret speech by Karoly Grosz, former general secretary of the MSZMP [Hungarian Socialist Workers Party], reprinted from SZABADSAG, 15 June, 1990: "SZ-122 = Volodya Nagy; Report About OGPU and NKVD [forerunners of KGB] Agent Imre Nagy"]

[Text] As it is well known, at a meeting held in early September 1989, the Central Committee [CC] of the

MSZMP [Hungarian Socialist Workers Party] focused on the activities of Imre Nagy. At the meeting Karoly Grosz gave a speech and revealed the contents of those documents that dealt with Imre Nagy's activities in the Soviet Union. The body decided not to have the speech published. However, we feel that in order to complete our picture of Imre Nagy's life and work, and in order to give the public a more subtle and complex body of information it is necessary to bring this speech to our readers. We are publishing the unedited text of Karoly Grosz' speech as it was presented at the CC meeting.

"Dear Comrades!

"The June 23-24 meeting of the CC commissioned the Presidium to 'examine whether there are party documents related to the court process of Imre Nagy and his associates (during the period of November 17 1956 and June 16 1958), and to make sure that members of the CC gain access to these documents.'

"The Presidium completed this task. The collected material is at the disposal of CC members. The political managing committee felt that it would not be desirable for these materials, even inadvertently, to fall into outside hands, providing an opportunity to have them used in ways that are hostile to our interests. Thus, as you have been informed, the material (in ten copies) is at the members' disposal in the bureau of the CC.

"According to our commission, the collection contains documents that could have been found in the Institute of Party History or in the CC's staff archives. Of course, the possibility cannot be excluded that there are documents related to this matter in the archives of state organs. It is also possible that some of the documents have been destroyed during the past 30 years. However, we can affirm that the documents we have come across present a faithful picture of the MSZMP's position and of the decisive trends of its activities, and are suitable to allow us to draw political conclusions."

Half-Truths Come to Life

"Our goal in revealing these documents is to provide historical facts and thus aid the present CC in making political decisions. The drawing of long-range conclusions is not our task. At the same time, I am convinced that in the future, too, members of the CC must become familiar with all documents that may help them in making responsible decisions. Aside from certain unequivocally distinguishable cases, no one may exercise monopolistic control over information. We must also prevent anyone from taking advantage of available information. This has great significance today, when we resolutely face up to our past. Rather than create distrust for the MSZMP, the revelation and use of these documents must serve to make our party more trustworthy and reliable. I propose that the CC resolve to make this principle its own.

"During the past few months you may have seen that when it comes to the activities of Imre Nagy, there are a

great many half-truths cultivated by the public. The general atmosphere of misinformation and hunger for interesting details is nurtured and utilized by the sensationalist press. This, in itself, is no tragedy; it could even be considered a temporary phenomenon. In reality, however, there is much more at issue. When it comes to the outstanding personalities of our history, we cannot tolerate political half-truths to gain a life of their own and lastingly influence the thinking of coming generations.

"The mass of half-truths is swelled by the fact that there is relatively little precise information at our disposal concerning the prewar [Second World War] activities of Imre Nagy. I would like to remind you that the MSZMP and the Soviet Communist Party began a collaborative project in order to reveal documents concerning the Hungarian exiles that lived in the Soviet Union. In March of this year, when our first secretaries met, an agreement was formed according to which the two parties will also cooperate in exploring and analyzing documents on the history of Hungarian-Soviet relations and the events of 1956.

"During July we received several document facsimiles from the Politburo of the Soviet Communist Party's CC. From these we gained new insight which, I feel, we must share with members of the [Hungarian] CC."

Soviet Citizen From 1936

"It has been frequently asked: Did Imre Nagy operate as a member of the Soviet Communist Party and a Soviet citizen during the tragic period of 1956? Well, the documents reveal that Imre Nagy joined the Communist (bolshevik) Party of Russia in June 1918, and remained a member until 1921, when he was sent to Hungary to perform underground work there. Starting with 1930 he was once again member of the Soviet party. The secretariat of the Soviet Communist Party removed him from its rolls in May 1954, since he has been living in Hungary after 1945.

"It is also certain that Imre Nagy became a Soviet citizen in 1936. We repeatedly asked the Soviet organs to examine the Supreme Soviet's resolutions. Thus far, Soviet researchers have not been able to locate a document that stripped Imre Nagy of his Soviet citizenship.

"There is various gossip circulating about the relationship between Imre Nagy and the Soviet state security organs. What do the documents reveal?

"(1) In 1920 Imre Nagy served in the CSK [expansion unknown] branch of the Fifth Army for about five months. In 1921-1922 he served in the state security commissariat, the NKVD [People's Commissariat of Internal Affairs (1912-1946); previous name of the current KGB], and later in the intelligence-gathering command of the Red Army. I feel that there are no disturbing factors when it comes to his moral and political judgment during the struggle against counterrevolutionary White Guards and Fascists.

"(2) However, much more thought-provoking is another matter, which excites public thinking more fervently: Between 1930 and 1941, until the outbreak of the war, Imre Nagy operated as agent Sz-122 of the OGPU [United State Political Administration at the Council of People's Commissars (1922-1934); previous name of the current KGB], and later worked as a secret associate of the state security commissariat. This is proven by documents whose validity is beyond question. One of our associates examined certain material, registered under the serial number 369 993 in the archives of the [Soviet] Committee for State Security, and part of these documents were sent to us by the Soviet partners.

"As it is well known, Imre Nagy arrived in the Soviet Union in late 1929, in order to attend the second congress of the Hungarian Communist Party. In accordance with a party decision, in 1930 he remained in the Soviet Union. After his arrival he repeatedly tried to contact the OGPU. On September 4, 1930, he signed a written statement obliging him to of collaborate with that agency. The OGPU used him as an agent for a brief period, and in late 1930 this contact was broken off.

"On January 17, 1933, the collaboration was renewed. At the end of his personal file, Imre Nagy appended the following statement in his own handwriting:

"I oblige myself to perform assignments given to me by the OGPU, and keep those, as well as my relationship with the OGPU, in secret. If I break this secrecy, I will answer for my deeds before the OGPU's committee... I will sign my reports as Volodya. [signed] Volodya Iosifovich Nagy."

"Subsequently, the state security organs used their agent to collect information among emigrants from Hungary and other countries. His work was highly valued. One of the NKVD characterizations refers to him as an 'agent with initiative.' Another report, dated 1933, emphasizes that 'Volodya has great interest in his work and shows initiative. He has not received any material compensation.' In 1938 one of the NKVD's top officials wrote: 'Volodya always provided valuable information concerning anti-Soviet activities by individuals in the Hungarian emigre community.'

"In his handwritten autobiography dated June 30, 1938, Imre Nagy himself described his activities: 'For a long time now I have been honestly and devotedly cooperating with the NKVD in the struggle to eradicate all species of the people's enemies.'

"(3) From these documents we can also determine that on the basis of Imre Nagy's reports several Hungarian, German and other nationality communists were convicted of 'anti-Soviet, terrorist, counterrevolutionary and Trotskyite' activities.

"It was reported by Soviet authorities that the examination of archival material is continuing, but those already examined contain several items that support the above observation. According to operative reports filed by the

NKVD, Imre Nagy participated in solving cases code-named 'Agrarian Experts,' 'Incorrigibles,' 'The Agony of the Damned,' and 'Restorators'. One of domestic counterintelligence's top leaders, Matusov, wrote that 'through Volodya we revealed and destroyed the counterrevolutionary group called "Agrarian Experts."' In July, 1941, Merkulov deputy commissar for domestic security reported the following to Malenkov, one of the party's leaders: 'Volodya, born in 1886 in Kaposvar, ethnic Hungarian, Soviet citizen, member of the Bolshevik party since 1918.... In 1937-1938 he filed numerous reports concerning the anti-Soviet activities of Farkas and Vago. On the basis of his further reports we arrested and convicted Manuel, Lubarskiy, Dubrovskiy, Baros, Kramer and Madzsar. It was also Volodya who filed reports on the anti-Soviet activities of the recently arrested Steinberg, Stukke, Sugar, Polacsek and Karikas.'"

Lists Written by His Own Hand

"Imre Nagy himself also speaks in these documents. First he names 38 individuals with whom (and here I quote) 'this writer could establish friendly relationship, if it were necessary.' A subsequent list, written in April 1939, contains 150 names. Among them the more familiar names are those of Erzsebet Andics, Bela Balazs, Andor Berei, Jeno Varga, Andor Gabor, Gyorgy Lukacs, Zoltan Szanto and Ferenc Munnich. In 1940 he again compiled a handwritten list of those (I quote) 'arrestees about whom this writer provided information.' On this list we find the names of Frigyes Karikas, Antal Hidas and Sara Manuel.

"But what does Imre Nagy say about this? In his autobiography, written in his handwriting on 20 March, 1940, he wrote this: 'Since 1930 I have been collaborating with the NKVD. Commissioned by them, I have dealt with a great many enemies of the people. In the course of my work at the Agrarian Institute until 1936, I became acquainted with the following enemies of the people: Dubrovskiy, the director; Lubarskiy, his deputy; Bergman, scientific secretary; Spectator, department head; Steinberger and Stukke (Germans), Tarasmevich and Miholchuk (Poles). I have also known many Hungarian emigrants who were arrested as enemies of the people: I have known Bela Kun since 1928; I resided in the same house as Bokanyi, and I got to know Istvan Vagi in 1923....'

"Merely as an example, I cite a report made by Imre Nagy on 2 January, 1936: 'I consider it my duty to report that Lubarskiy, the publishing director of the International Agrarian Institute, is showing anti-Soviet behavior; in conversations he makes remarks opposed to Soviet authority and he maintains contact with the counterrevolutionary Zinoviev. Please make arrangements so I can make a more detailed report in person.'

"We also have the subsequent detailed testimony made by Imre Nagy, and the court statement based on which the individual in question was sentenced to 3 years in exile.

"According to a Soviet agent's handwritten statement, he was also encouraged by Imre Nagy to gather information about Hungarian emigrants. Members of the Hungarian emigration suspected that Imre Nagy was collaborating with the NKVD, and several of them considered him a provocateur.

"I quote from one of Imre Nagy's reports: 'At the editorial offices of UJ HANG, [New Voice] a special committee made up of 5 individuals was formed.... There is every indication that the activities of these five individuals go beyond the responsibility of editors, and they deal with the issue of Hungarians living abroad.... This writer was unable to obtain more precise information, since he was completely isolated from the editorial board's internal affairs. From the moment this writer (commissioned by the NKVD) started working at the UJ HANG...he noticed several circumstances which hindered successful intelligence gathering.' We know well the individuals to whom Imre Nagy referred: Gyorgy Lukacs, Erno Gero, Zoltan Szanto and Andor Gabor."

The Informant's Victims

"According to what we have been able to learn thus far, 25 individuals from the Hungarian emigrant community have been arrested and sentenced on the basis of Imre Nagy's reports. These included 6 individuals from his list of 150 names, 9 from his list of 15 names and 10 from his list of 38 names. The newspaperman Lajos Magyar, deputy director of the Comintern's executive committee's eastern secretariat, received a death sentence; the physician Jozsef Madzsar, former editor of TARSAD-ALMI SZEMLE, 10 years' imprisonment; Andras Sugar, department head at the Soviet radio, death; Laszlo Pollacsek, one of the head physicians at the Kremlin Hospital, who also treated Imre Nagy, 15 years; the writer and journalist Frigyes Karikas, death; the journalist Laszlo Baros, death; the engineer Gabor Farkas, death; the pensioner Sara Manuel, 5 years; Erno Muller, member of the Hungarian Communist Party's external committee and deputy director of the Thalmann Club, death; the writer Antal Hidas, 8 years; Istvan Vagi, the president of the Hungarian Socialist Workers' Party and deputy director of the Trade Union International's Central European section, death; the engineer Gyula Hevesi, 8 years; the labor movement leader Erno Wimmer, death; the worker Geza Gold, death; the journalist Pal Hajdu, death; the architect Ferenc Rakos-Marschowski, 8 years; Bela Vago, the commissar of internal security during the [1919] Hungarian Republic of Councils, death; the secretary Greta Karolyi, 3 years' exile; the cabinet official Elemer Varjas, death; and the journalist Jozsef Grelyner, 10 years' imprisonment. Gyorgy Lukacs was sentenced to death, but his sentence was overturned in 1941. The worker Gyorgy Benedek was sentenced to 5 years' imprisonment; the carpenter Karoly Csuta was arrested but not sentenced.

"After 1955 Soviet judicial authorities rehabilitated every one of these people, the latest, Greta Karolyi in 1988.

"When we received these materials, we hesitated for a long time: What should we do? There were many arguments for not releasing this information in any form. However, I am convinced that you, members of the Central Committee, should know about these, and the decision [on the material's fate] should also be made jointly. We should take into consideration that actions during the 1920's and 1930's could not be judged by today's standards. Under those circumstances, collaborating with internal security organs and institutions protecting the revolution appeared to be honest service rendered to the cause of proletarian revolution, and to a certain extent it was that. It is also certain that many of those who thus collaborated, did so out of conviction. However, this does not change the fact that the cause can be served in many different ways, and, to cite [the Hungarian poet Endre] Ady, there were those who were able to 'remain human in the midst of inhumanity'.

"One may ask: Are not we harming the memory of the reform politician and deglorify one of the founding members of the MSZMP? I am convinced that what we have learned now will not be the decisive factor when it comes to evaluating the life work of Imre Nagy. The MSZMP's leadership considers Imre Nagy important as the person who implemented the Soviet-inspired reform program of 1953, and as the party and state leader in 1956. Of his activities, we consider valuable those that were preformed in the interest of democratic socialism and a free, independent, socialist Hungary.

"We cannot allow the duty to face reality to be left a burden for next generations. Nor can we allow others to take advantage of the situation and turn this information against us. The greatness of Imre Nagy as reform politician is not altered by these documents; we can make a more subtle evaluation of his life work and understand what motives may have been behind his actions."

The Entire Picture: an Example?

"In the absence of a more complex and subtle image, our present value judgment cannot be correct. Only by possessing such image can we decide in a responsible manner as to whom we should place as example before future generations?

"It could be justifiably asked if it was correct to speak about these documents before the [Party] Congress and before the elections for parliamentary seats? In my view, we could not delay raising this issue until the Congress; we could not add to the burden of the Congress, which will have to produce decisions concerning the party's future.

"We also have to consider that revealing these documents before the elections could cause a certain amount of political damage. On the other hand, the issue could come up during the elections, so you had to be informed of the matter. In view of the above factors, however, I suggest that we do not publish these documents. I would

like to add here that the leadership of the Soviet Communist Party left it entirely up to us how we treat the documents."

"Dear Comrades!

"In view of the above considerations, I ask you to acknowledge this report. Let the documents remain unpublished."

MSZMP's Thurmer Interviewed

90CH0316B Budapest TALLOZO in Hungarian
18 Jun 90 p 1166

[Interview reprinted from REGGELI PESTI HIRLAP, 16 Jun 1990, with Ferenc Virag, editor in chief of SZABADSAG, by Zoltan Fekete, place and date not given; "Secret Speech—Published"—first three paragraphs are TALLOZO introduction]

[Text] The June 15 issue of the MSZMP's weekly organ, SZABADSAG, published the entire text of a speech made by Karoly Grosz before last September's meeting of the Central Committee, entitled "Sz-122 = Volodya Nagy." The introductory editorial text contained the following passage: "We feel that in order to complete our picture of Imre Nagy's life and work, and in order to give the public a more subtle and complex body of information, it is necessary to bring this speech to our readers."

Well, SZABADSAG made every effort to accomplish this. Among other things, it asserts (quoting Karoly Grosz) that the documents show that based on Imre Nagy's reports several Hungarian, German, and other nationality communists were arrested and convicted for "anti-Soviet, terrorist, counterrevolutionary, and Trotskyite" acts.

REGGELI PESTI HIRLAP asked Gyula Thurmer, the MSZMP's first secretary: Why did the party's organ decide to publish the secret Grosz speech just now, right before the national day of mourning, even though last September the Central Committee voted to keep the text unpublished (notwithstanding the fact that the Soviet leadership left the fate of the speech up to their Hungarian counterparts). Gyula Thurmer allowed the SZABADSAG's editor in chief, Ferenc Virag, to answer the question.

[Virag] The introduction to the article clearly reveals that we published the secret speech in order to complete the picture of Imre Nagy's life work. Obviously, by publishing this writing we contributed to our public's ability to become acquainted with Imre Nagy. By the way, the documents have been known since last year. Although the Nap [the Day] TV questioned their validity, among them we can also find personal material handwritten by Imre Nagy himself.

[Fekete] Do not you feel that it was, to put it kindly, in bad taste to repeat the charge that based on Imre Nagy's

reports 25 members of the Hungarian emigree community were arrested and sentenced, especially now, on the anniversary of Imre Nagy's reinterment?

[Virag] It is well known that the SZABADSAG is the MSZMP's organ. The party, as you know, is an opposition party, and it is our duty to follow its line. It is now that the country's citizens are talking about Imre Nagy; it is now that we must focus attention on him. The issue could have been dragged out some other time too, but we felt that it was timely now.

New Law Governing Police Being Drafted

25000780E Budapest NEPSZABADSAG in Hungarian
17 Aug 90 p 4

[Unattributed report: "Use of Weapons, Wire Tapping; New Law Governing the Police Being Drafted"]

[Text] How should a policeman guard the order? This question was raised in the course of defining the concepts of the new law to govern the police. The question was raised because two possible answers exist. According to one, policemen should only see to it that laws are obeyed. In contrast to this concept there exists the possibility that the policeman steps out from the framework of law so to speak, and regards as his primary duty the hindrance and prevention of actions which violate laws.

The concept developed for the law recommends the first alternative. Its framers believe that more security is provided to both policemen and to citizens if the policeman does not exceed the framework provided by law. This is so because in this case a clear-cut decision can be made whether action taken by a policeman was or was not within the law. [The first alternative was chosen] even though several laws must be amended and created to accomplish this. But in order to serve the public good, and to finally place the activities of the police within constitutional limitations, experts at the Ministry of the Interior plan to submit the legislative proposal to Parliament in two readings: the concept first, and the finished law second, but only after the National Assembly has debated the concept.

The law governing the police will provide itemized regulations concerning the relationship between the policeman and the citizen; the means the police may use against various persons on the one hand, and the instances in regard to which, and the places where a citizen may file a complaint against the policeman on the other. In conjunction with these ideas they are planning to establish a committee which functions independent from the police and is composed of civilians. This committee would investigate reports and complaints concerning police action. Conceivably, this authority over the police will be exercised in the future by the spokesman for citizen rights.

The law will also define the cases in regard to which a policeman may use his weapon, his blackjack, spray,

handcuffs. But contrary to prevailing legal provisions, this legislative proposal is worded in specific terms. Accordingly, the legislative proposal does not authorize the use of firearms based on the expected punishment a given criminal act draws—the way prevailing rules deal with this issue. This approach was taken because a policeman patrolling public places has virtually no opportunity to make such evaluation. In contrast, a policeman is capable of determining whether an imminent threat to life, alternatively public endangerment or an attack against a person takes place.

Along with all this the future organizational structure of police must be clarified: for instance, will there be county police chiefs' offices in the future? Another matter which raises questions pertains to the occasions in, and extent to which local autonomous governing bodies may influence the local police, and further, what secret service means investigators may utilize, and based on whose authorization. In times when organized crime and drug smuggling flourishes, it would be logical to permit the police to wiretap the telephones of suspects at the earliest possible stage, at least in regard to these matters. But the writers of the law are concerned that this proposal of their will not pass parliamentary scrutiny under the present political conditions. The law governing the police is one of those laws which requires the approval of a two-thirds majority, accordingly, its adoption requires a broad consensus.

Eviction of Former Nomenclatura From Service Mansions Rumored

90CH0298A Budapest REFORM in Hungarian
22 Jun 90 pp 2-4

[Article by m. k-b. and e. er.: "Top Cadres of the Party-State Are Moved From Their Luxury Dwellings to Tenements"]

[Text] Do not be envious of Miklos Nemeth, [Karoly] Grosz or [Istvan] Horvath because of their homes. As for [Bela] Biszku, he purchased his place in time. And Kallai, Lazar and the others? Why not pay everyone enough, so they would not have to become corrupt?

We heard a fantastic item of gossip! Somewhere in the tenements of [Bekas]megyer or [Kaposztas]megyer a unit consisting of 100-180 apartments is being emptied and hastily renovated. This mysterious process is supposedly followed by events surrounded by considerable publicity: The former leaders of the party-state, who are responsible for the mistakes of the past four decades, are evicted from their present council-owned or service dwellings, and relocated to units they deserve. Moreover, they are assigned to one-, two-, three- or three-and-a-half-room units, according to the size of their families and similar considerations. They will live in the recently emptied building (mentioned above), where they could live in close proximity to each other. The gallant new regime could even provide military or police guards, to protect them from the people's anger. Of

course, our informer is anonymous: He could be a revolutionary truth-teller or a recidivist political liar. Thus, we ask the readers not to take the above "pseudo-information" seriously. We made some inquiries, and no one has confirmed the above claims. Still, this topic remains alive, especially now when we frequently hear about our former dignitaries' apartment and real estate deals.

To begin with, let us take a look at Janos Kecskes' book "Queen-Sacrifice; or What Do Kings Do When Panicked?" (page 202, paragraph 2)

"Once upon a time, in the most elegant section of [Budapest's] Zuglo [district], next to the City Park, a millionaire died without leaving any survivors. His large villa was inherited by the XIVth District Council, which turned it over to the District's real estate management bureau (IKV) in an attempt to make some money on it. Due to rampant democracy (or to the low price, because they asked only 3.5 million forints for the property), only two individuals indicated interest. One of the applications, even though it was supported by the MSZMP's red star decorated seal, had no chance against the one filed by the individual in charge of the apartment exchange bureau at the [Budapest] Municipal Council. However, as it usually happens in fairy tales, a wicked fairy came along and the bureau chief could not get the house. The [Budapest] Municipal Council retained the right to dispose of the property, and in May 1988 it transferred this right to the MSZMP's Central Committee. The party started renovating the house in such a hurry that it could acquire a building permit only a month later. The renovation cost 9.5 million forints. By enclosing the attic and basement spaces, the building's size had increased from 126 to 285 square meters. The project was a success (the windows were made of the kind of glass used in building the Hotel Hilton, and the garage door had a remote control), but a fairy once again interfered. The property was not occupied; the MSZMP did not give it to anyone. (Rumor has it that it was intended for Miklos Nemeth. Some people claim that he did not move in because, under the prevailing political conditions, this would have endangered his career. In the long run, he chose the image bolstered by living in a small dwelling, "built with his own hands," instead of the villa.)

But why should not Nemeth and his family be able to move into a decent house? After all, our former Prime Minister is one of the few among our politicians who deserve such a break. While he was head of the state, newspapers abroad used to make much of the fact that Hungary's leader lives in a one-bedroom dwelling, part of which he built himself. At the time, this helped his image and made him more sympathetic to the people. But this is all in the past. Miklos Nemeth and his family signed a lease, to take effect on May 1, on an apartment in Varazs Street in the XIIth district. The building is in a pleasant neighborhood surrounded by a park, on a lot measuring 1,121 square meters. It was formerly managed by the Ministry of Internal Affairs, which had it

nicely renovated before turning it over to the XIIth District Property Management Enterprise.

Measured to be around 150 square meters in size, the dwelling is purportedly designated as a service residence. It is also claimed that the authorization to move in was signed by one of the neighbors, Zoltan Gal, in his former capacity as secretary of state for the Ministry of Internal Affairs. If the occupant's service is terminated, he will have the option to purchase the home. The only thing strange in this whole matter is this: Why has not the former Prime Minister moved earlier? So, let us not begrudge him the home; on the contrary, let us hope that he will be able to purchase it.

In the meanwhile, we have learned from Miklos Nemeth that he was given the dwelling until December 31, 1992, in order for him to live there while he and his relatives are collectively building a new family home. A wonderful gesture extended to a departing Prime Minister!

On the other hand, we are not at all happy that Bela Biszku also resides in this nice neighborhood. He was smart enough to purchase the service home he was occupying during the last weeks of the old regime.

Before anyone starts sticking his nose into the dwelling affairs of former Deputy Prime Minister Peter Medgyessy, we must announce here that he took part in a home-building action organized by the National Savings Bank [OTP] much earlier. He still lives there, and his mortgage payments are quite high. When Karoly Grosz made his spectacular advance, he inherited the Trombitas street home of "our colleague", [former SZOT President] Sandor Gaspar, but, as reported by our correspondent from Pest county, he has been living in Godollo for some time now. As VILAG reported, [Grosz] must have had good foresight, because he purchased a swamp 15 years ago, had it filled up and built a thatched little house there for his retirement years. According to our correspondents, the house is not that hot....

Somewhat better is the also thatched summer home of Istvan Horvath, designed by Makovecz.

But let us proceed! Gyula Kallai occupied his 156-square-meter home in the XIIth district in 1978. He was supposed to pay 58,300 forints for the use of that nice home, but this official, so exploited by the Party, could not afford to make that payment. The story goes that someone (it has been so long that no one remembers who) paid the bill on his behalf.

Former Prime Minister Gyorgy Lazar's home could hardly be called a castle (as our photo illustrates), nowadays a home like that is a dime a dozen. We may see thousands like that in Buda.

The townhouses of Gabor Deak and Laszlo Marothy became famous (at least according to one of the articles criticizing them) because they "rob the neighbors of the view." Yet, their only "mistake" was to obtain a lot in

the choicest location of the Jozsef Hill. Of course, these are homes managed by the local council. And since they are not just any kind of homes, the MSZMP (using its right to allocate real estate) gave it to two good and promising party cadres! They both moved in in 1982; but the great hopes have disappeared since.

We were shocked to read Janos Kecskes' book titled "Queen Sacrifice" which reveals that our former and present high-ranking military officers do not earn enough money to build suitable villas for their retirement years and to take care of their children. Similarly to the governing figures of the state-party, they were forced to utilize various auxiliary services, which nowadays we call corruption (real estate purchased through connections, using the labor of military construction brigades or discounted building material, etc.).

Why did we force even honest leaders to resort to such tricks? Why could not they purchase houses suitable to their rank, as do the leaders of other democratic countries? Why was everything just temporary privilege, instead of private property? Well, the reason is this: If the individual fell from grace, he was suddenly poor as a church mouse.... So it was much smarter to make sure that one never fell from grace and stick to "acquiring" things for oneself and one's colleagues....

Stalin was not interested in money: He always threw his salary into his desk-drawer. [Former Minister of Defense Istvan] Czinege could have selected a better example to follow, such as [the previous Minister of Defense] Mihaly Farkas whose annual salary in 1952 was 2,485,000 forints. If he had only picked up one-tenth of that, he would have had no need for such affairs as the one at Kaszopuszta, or the various other shady deals. If salaries were suitable, every general officer could retire as a wealthy person. It is similarly funny that Miklos Nemeth as Prime Minister was forced to reside in an average house and he did not earn as much as a director of a multinational firm.

Whether these people acquired anything or not is also the sin of the party-state. It took no better care of its governing leaders than it did of its hard-working followers who fell suddenly from dominant roles to insignificance and poverty. Some people might say: Good for them, they are getting what they deserve. We still say that this should not happen again. We would like every worker, and every politician, to receive suitable wages, so that the officials of the new governing party, and those that will follow, should not have to face this kind of situation, but live off their income in a decent manner. After all, we can look forward to many more transfers of authority and personal changes. Let us create European possibilities for retiring decently in a manner suitable to a democracy.

[Box, p. 2]

Here Is My Villa; Where Is My Villa?

Are these news true or not? We asked everyone in position of authority; but could not find out. There were those who heard it first from us. Others told us that there has been no such instruction. Not yet, anyway... If the story is true, should we be glad? Is it all right to be laughing at someone's misfortune when that someone, a member of the "new class," is suddenly removed from the luxury acquired at state expense? Is it the infamous period of expulsions that this kind of ukase seems to recall?

A popular sense of justice may tolerate the fact that those who put the country into its present difficulties are now, with the advent of political changes, in similarly dire straits as the average citizen. But there were only about a dozen party leaders, whose names appeared on a crumpled piece of paper in the pocket of a baggy suit who, in spite of their modest abilities, occupied the golden nest for decades. They were not all the same: There were some among them who tried to remain decent under the circumstances. Today they are elderly individuals, and for some time now have been bearing the brunt of popular hostility focusing on them. And even among them only those remained residents of the state villas who believed until the very last minute that Ivan will not allow things to proceed in this shameful manner. The smart ones, the skillful ones long ago bought their own real estate. And they are untouchable.

As for those who have already been evicted from these multi-level villas, surrounded by a garden, with a separate apartment for the housekeeper, they might feel a little nostalgic on reading these lines. And those who wished in vain to move up there will also start salivating. However, residents of those tenements [where the old cadre are now relocated] are once again angry; they too will have to move, but not to the villas...

As for the rest of us, we are more likely to feel embarrassed and disappointed. Is this the way it is always going to be? One escalator up, the other down? After all, we suspect that those villas will not remain empty. They have already been picked out by others for themselves. Will this never end? First we hear the nice phrases: "Let each Hungarian be at home in his country," and a few weeks later the moving vans appear?

We could be truly happy if those few formerly powerful individuals who now live in inner exile because history walked all over them would be left alone. The new regime would validate its good will if it never issued such eviction orders; if those who pay for whatever they need would be left in peace, whoever they were; if the phrase "an eye for an eye" would be absent from its armory.

[Box, p. 3]

Teacher as Economics Adviser

Mihaly Jasso (is there anyone who does not know the name of this famous party politician?) began his career in Csepel, where he was an elementary school teacher at the time. From there, he kept moving up and up, until he reached the peak: He became the first secretary of the MSZMP's Budapest party committee. Later, having acquired the trappings of a reform communist, he made speeches here and there; then it appeared that he was swallowed up by grand politics.

But now, we see that there is truth in the saying, according to which "a [party] cadre never disappears, only transforms itself." The news just came from distant Brazil (to be precise, from Fortaleza, on the shores of the Atlantic Ocean), that the teacher Jasso is honoring these South American regions. Obviously, from the goodness of his kind friends, the comrades who try to salvage everything and everyone, he is filling the post of economic adviser in those regions. And since Brazil is primarily an agrarian country, it is not impossible that a certain Hungarian firm called Agroinvest had a role in this transformation, which is not to be spurned even from a financial point of view....

[Box, p. 4]

Move Out! Make Room For the Generals!

"Apropos," planned relocations and evictions... During the early 1980s, a story made the rounds in the "upper circles" of the times. Too bad that Imre Bokor and Janos Keeskes did not write about this "Czinege-like" story, even though (according to current rumors) this was one of the last straws which resulted in removal from [his] post via a promotion into oblivion. Well, according to the storyteller (who used to work in the central offices of the MSZMP) residents in one of Buda's privileged greenbelts received instructions to stay home on a given day and pack up all of their moveable valuables, because units of the Hungarian People's Army will offer them all assistance they need in relocating. The area in question would be used for purposes of the Warsaw Treaty Organization. (Is this not reminiscent of Czinege's methods? We pick out a forest rich in game; we declare it to be a military reservation, fence it in, and then we can go there with our buddies to butcher deer and wild boar.) Of course, everyone would be reimbursed for any losses, and everyone would receive suitable dwellings in exchange. There is no room for appeal, the matter comes under the authority of the united armed forces, etc., etc....

It is obvious even to the reader that there were not going to be any missile bases or an international radar center in the region. Much closer to the truth would be if we were to say that our Minister of Defense, so faithful to the Warsaw Pact, wanted to use several luxury villas in a

beautiful restricted environment to please some generals of the Soviet Army that would remain in Hungary until 1991.

Perhaps there is no honor among thieves, after all. At least, it seems to have worked that way in this case. You see, the region marked for evacuation was inhabited by second-level cadres. Thus, there were some comrades attached to the party center who also received the notices. They turned to everyone with their complaint, but the Warsaw Treaty Organization was still the Number One bogeyman, so everyone was scared off. Finally, the braver among them marched up to the Kadar villa, and obviously they did not go there to feed the chickens scratching in the yard, but showed their special "White House" passes to the guards. Kadar received the emissaries and immediately took action. Whether he did so in Moscow or at home, no one knows. In any event, the generals' plot to steal some real estate failed, and no one had to move.

Even if this is just another legend, or an artificially disseminated gossip to improve the kindly image of the Old Man, there is something in it that makes one think. The lesson is that nothing good can come out of any mass relocation, exile or ghettoization. Let us not learn this either from the Nazis or from the Muscovites. Human rights are among democracy's weapons: Everyone should be equal before the law and, if necessary, should enjoy its protection.

POLAND

Liberal-Democratic Congress Convention on Program, Center Accord

90EP0812A Warsaw LAD in Polish No 28, 15 Jul 90
pp 2, 4

[Article by Jerzy Wysocki: "Congress With an Appendix"]

[Text] The first convention of the Liberal-Democratic Congress, a party which the observers of the political arena in Poland believe to be one of the more interesting political propositions, held in Warsaw, was eclipsed by two meetings of the citizens committees.

The issue of choosing their future course and the form of existence arose for all young parties when it turned out that the Polish road to democracy leads through differentiation in the Solidarity camp rather than the development of newly formed groups. Therefore, it could be expected that a substantial segment of discussion at the KLD [Liberal-Democratic Congress] convention would focus exactly on evaluating the current political situation and determining the place of the Congress on the emerging political map. This, however, was not the case. The convention engaged mainly in adopting a statute, a program, and electing the leadership of the Congress.

Certainly, this has happened due to several reasons. Earlier, a majority of the members of the provisional leadership of the Congress joined the Center Accord, which to a considerable degree foreordained the situation. However, the leaders of the KLD did not want a discussion to cause a clash which is dangerous for a young party, being aware that there are also opponents of this choice among the delegates. Besides, many delegates were economic functionaries who keep their proper distance from the issues of big-time politics. Therefore, in principle, one could learn about motives for the actions and political intentions of the Congress at a press conference and through conversations in the lobby.

At the [press] conference, Donald Tusk, one of the founders of the Congress and a member of the presidium of its board, said: "The nature of the present conflict in our country is first of all political rather than ideological or programmatic. This is why all political groups are facing a dramatic situation. I know many communities which acted in unison for at least 10 years and which have been broken in half by the conflict. We would like to not put the Congress in such a situation."

Perhaps, it was this very approach which prompted certain conditions to be attached to the accession of the leading KLD functionaries to the Center Accord. Preservation of the autonomy of the Congress within the framework of the Center was the first condition. Senator Andrzej Machalski, member of the Presidium of the KLD Board and president of the Confederation of Polish Employers, stated: "The need to give up such autonomy would have made the Center a proposition of little interest to us." However, the Congress did not determine the precise criteria of autonomy which it would consider to be nonnegotiable.

The leaders of the Congress made public a second condition following from the desire to maintain autonomy as early as the moment of signing the Declaration of the Center Accord. They were the only ones to attach to the list of signatories an appendix explaining that they were signing this declaration "in the profound belief that the acceleration of systemic changes in Poland is necessary for the complete implementation and success of the economic program of the government, making the current sacrifices of the Polish society meaningful."

Andrzej Machalski explained that parliamentarians associated with the Congress support the government economic program in an active manner, unlike those who support the government verbally but actually block its initiatives (for example, the privatization law).

However, the support of the Congress for the Balcerowicz program is not uncritical. In a declaration adopted at the convention, they called for changing the wage policy by liberalizing wages in the private sector where their level is watched by specific owners, and by paying a part of the remunerations in state bonds or depositing this part in individual capital accounts from

which the purchasing of shares will be financed. The Congress also came out in favor of developing shareholding by citizens as one of the currents of privatization, the promotion of private entrepreneurship, and thus of the middle class, by a proper tax and credit program, and creating a banking and consulting support system.

Chairman Dr. Janusz Lewandowski commented on the position of the Congress: "The success of an economic program does not hinge only on its methodological correctness but also on its political effectiveness. We see a lack of correspondence between the burden of this economic operation and the political style which complements it. A change in political style, which is frequently expressed through the slogan of abandoning the contract of the roundtable, is a condition for the success of this operation. A change in style should also involve a change in the way the government communicates with society. The government makes too little use of a vision which would point out prospects of some kind."

The KLD leaders agree that Poland needs a president with extensive prerogatives. The view dominates that Lech Walesa should become such a president who, as Andrzej Machalski said, will be capable of remaining above divisions, and thus not jeopardizing democracy.

However, Andrzej Machalski does not share the view of Senator Jaroslaw Kaczynski that Tadeusz Mazowiecki is not a good candidate for president. He said, "Mazowiecki has not indicated the sources of his strength. His popularity is mainly that of the president of the Republic of Poland rather than that of an independent politician. The base of Mazowiecki consists primarily of the government camp and the OKP [Citizens Parliamentary Club] leadership which, while supporting the government verbally, has already given proof many times that it sees different solutions for the country than those of the prime minister. I am afraid that Mazowiecki as president would be forced by such an arrangement to revise his policy. On the other hand, I would consider the combination of President Walesa and Prime Minister Mazowiecki to be the optimal solution. The authority of the prime minister would be one of the safeguards against the autocratic disposition of Walesa and a guarantee of the continuation of the fundamental line of government policy."

Asked about the attitude of the KLD toward the Forum of the Democratic Right, Donald Tusk said: "The malicious ones say that the left wanted to have its right, and this is how the forum emerged. I am not malicious, I have many friends there; likewise, some KLD members take part in this initiative. We know that the forum consists of liberal and conservative communities; it would be best if we treated the forum as the fifth column of the KLD in the leftist camp."

He also said that the long run appears to be more interesting. He argued: "After the parliamentary elections which will cause the current conflict to disappear,

the political map will acquire a different, more logical shape. It will be easier to discuss stable alliances then."

Polish National Party Offers Alternative Economic Program

90EP0810A Warsaw *RZECZPOSPOLITA (ECONOMY AND LAW supplement)* in Polish 10 Jul 90 p 2

[Article by J. R.: "The Nationalists on the Economic Program"]

[Text] The PSN [Polish National Party] is of the opinion that the economic program being implemented in Poland is not aimed at making its economy healthier but at bankrupting it, at transferring assets to the hands of aliens contrary to the national interest, and at painfully reducing the standard of living.

Inflation has been exacerbated by increasing taxes and prices, especially those of food, which, given the stocks available and wage restrictions, makes the situation of the general populace catastrophic. The government exempts foreigners from taxes while placing a burden of excessive taxes on Polish agriculture, crafts, and industry. This hampers production and undermines the economy. All forms of domestic entrepreneurship are in danger. The health service, education, science, and art are being undermined by unjustified budgetary restrictions. The status of health and education is deteriorating.

The mounting dissatisfaction is fraught with a conflict. In the opinion of the PSN, the following are becoming necessary under the circumstances:

- Canceling economic laws adopted late last year; reducing prices, especially for foodstuffs and energy, to economically justified [levels]; reducing taxes and lowering the amounts of loans for agriculture, crafts, and industry, especially for housing construction. This will make it possible to develop production and reduce prices for merchandise, will eliminate inflation, and will increase the income of the state and citizens.
- Ensuring full employment by using productive capacity and public-works projects, which will slow down emigration and increase production.
- Imposing higher taxes on foreigners and allowing foreign capital to claim one-third of the profit in the absence of the ownership of land, buildings, and equipment which constitute the exclusive property of Poland and its citizens.
- Canceling the transactions involving the sellout of national assets which have been signed thus far, and introducing a ban on further sales.
- Reprivatizing industry exclusively for the benefit of Polish citizens up to the limit of their capital resources doubled by state loans, while retaining most of our industry as all-people's property administered by the state.
- Ensuring the coownership of industrial enterprises by their employees in the form of long-term shares by giving them title to a share of the profit along with

wages, which will cause production and labor productivity to increase.

- Developing free crafts and agriculture exclusively operated by peasants, with the abolition of the state ownership of farmland.
- Increasing wages and the purchasing power of the populace to an economically justified level.
- Giving equal rights to all forms of property in the economy.
- Releasing to the public the content of a letter of intent sent by the government to the International Monetary Fund which contains obligations to foreign capital unfavorable for Poland.
- Increasing budgetary allocations for developing the health service, state schools, education, art, and cultural centers.

As an analysis of the PSN economic program suggests, the goals of industrialists, craftsmen, merchants, and farmers are the same. There are various economic arrangements in crafts, trade, and services, as well as in agriculture and industry, which show that the Polish economy is being deliberately destroyed, while it could develop independently without becoming dependent on foreign capital.

Citizens Parliamentary Club Presents Position on Civil Service

90EP0810B Warsaw *RZECZPOSPOLITA* in Polish
7-8 Jul 90 p 7

[Article by J.R.: "How To Fill Positions"]

[Text] The system of "party nomenklatura" belongs in the past. A draft law on state officials is under discussion in the Sejm; the replacement of personnel at different levels is in progress. Associate Professor Dr. Edmund Wnuk-Lipinski from the Social Advisory Group of the OKP [Citizens Parliamentary Club] is the author of a position paper on cadre policy. Its discussion follows:

The new form and rules for filling positions must be known to the public and be clear to all. In countries with parliamentary democracies, there are two categories of positions: political, at which strategic decisions are made, and nonpolitical. A party or a coalition of parties which wins elections is given, by law, the privilege of filling political positions as it sees fit. In this manner, the party ensures the implementation of its own political course in public life. People should be assigned to nonpolitical positions on the basis of merit rather than political lists. Their work should depend on the competence and efficiency of an employee rather than the results of elections. In this manner, a stratum of civil servants, nonpolitical administrators and functionaries, is created which ensures the continuity and stability of the operation of the state administration at the central and local levels.

Political positions in the central echelon should be specified by parliament, and those in local echelons by respective representative organs. Filling all positions not

included in these lists should be submitted to parliament. Creating such a system appears to be an urgent matter because most positions of authority and those in the administration are filled by appointment rather than by elections. Due to the existence of such a system, political forces seeking seats in parliament will know what pool of positions is at stake in elections, and the electorate will know the connection between the results of elections and the array of forces within the authorities.

The absence of a promotion system causes unfavorable social consequences. The social legitimacy of nominations is lower even when the nominations are proper from the point of view of merit. This is how the suspicion arises that one nomenklatura is being replaced by another. Appointments may be given on the basis of friendly connections which in the long term poses the danger of clanishness. Worthy candidates for public office may be overlooked. Making a political and social career will be burdened by the odium of ambiguity in public perception, and the notion "career" will acquire a pejorative tint. This will deter many worthy people, good candidates for executive positions.

POLITYKA Weekly News Roundup

90EP0781A Warsaw *POLITYKA* in Polish No 30,
28 Jul 90 pp 2, 6

[Excerpts]

National News

[passage omitted] During the first six months of 1990, the average wage in the five sectors of the socialized economy was 839,000 zloty. During this same period, the average retirement or pension was 597,700 zloty. According to an estimate made by the Central Office of Statistics (GUS), in worker households, 42 percent of the individuals had incomes that did not exceed 400,000 zloty and in retiree and pensioner households, about 54 percent did not. Consumption of food declined, especially of sugar by 25 to 32 percent, of fish by 21 to 29 percent, and of cereals and rice by about 30 percent. During the six months, production declined on the average by 30 percent in all sectors of industry. The greatest declines occurred in the textile industry (44 percent), in the leather industry (41.5 percent), and in the food industry (38.2 percent).

GAZETA WYBORCZA has printed an exchange of letters between Grzegorz Piotrowski, the murderer of Father Popieluszko, in prison, and Gen. Czeslaw Kiszczak, the former minister of internal affairs. Piotrowski claims that he did not reveal the whole truth during the trial since "he felt he was still on duty" and that during a conversation in his cell in April 1985, Gen. Kiszczak promised to help him so that no situation arose in which "we feel not only deceived but also mocked." "Surely, you understand," writes Piotrowski, "that provocations or repressions can force one to seek defensive measures. Do you mean that we are to find help where we do not seek it?" Gen. Kiszczak denies Piotrowski statements,

especially regarding the nature of their conversation in 1985, but writes: "Personally I have not rid myself of suspicions to this day that it might have been different, that there were direct or indirect instigators and that they might come from outside the Ministry of Internal Affairs." The crime itself, however, was aimed against the reformers in the leadership of the state and the PZPR, and in effect it was "to lead at the very least to a change in the minister of internal affairs and his replacement by a person close to the conservative option." The prosecutor has taken control of Piotrowski's letters and the documents which are associated with that case collected by Tadeusz Frero-Boniecki, the author of a forthcoming book. [passage omitted]

Another exchange of correspondence has been in progress in GAZETA WYBORCZA in conjunction with the article in PO PROSTU that revealed that the Center Accord was preparing to "overthrow the government" and listed the "shadow cabinet." Jaroslaw Kaczynski, the leader of the Accord, editor in chief of TYGODNIK SOLIDARNOSC, declared that "the entire report of PO PROSTU—from the encouraging of strikes to the overthrow of the government and the formation of a new cabinet—is one great lie." To which Ryszard Turski, editor in chief of PO PROSTU responded that his editorial offices received the information from "two independent sources" and that he is surprised that the Center "wants to cover up what is a normal political activity in a democratic state." [passage omitted]

Advertisements for Korona Company have appeared in the American press; the company sells Polish country homes and mansions. TRYBUNA reprinted the advertisement and reported that Janusz Onyszkiewicz, the deputy minister of defense, is a member of the partnership and in this manner is violating the order of the premier that prohibits state officials from participating in partnerships. Janusz Lipinski, coowner of Korona, explained that his partner is Joanna Onyszkiewicz, the wife of the deputy minister, and not the deputy minister himself. In an additional explanation requested by GAZETA WYBORCZA, J. Onyszkiewicz declared that the Korona partnership was formed in January 1990 by his wife Joanna, and she is "to seek decaying, old country houses, mills, etc., and to make the legal arrangements for anyone willing to take care of them." "For 40 years," writes the deputy minister, "there have been cries in Poland: let us save our historical monuments. And they were crying in the desert. The formation of Korona is a realistic response to that appeal."

What is the relationship between A. Mackiewicz, the brother of the minister of the domestic market, and the firm Future 2 (a West German-Polish partnership), which is investing in a network of stores in Slask? Thomas Roper, the head of the partnership, explained at a press conference: "We wanted to employ someone who could deal with a portion of the obligations associated with the operation of the firm in Poland in a professional manner. At that time, Mr Mackiewicz's offer reached us; he not only has many credentials (education, retail

experience, languages, and a West German passport) but also the advantage of being the brother of the minister of the domestic market." The minister's brother is a employee and not a part owner of the firm.

Jerzy Drygalski, the chairman of the Commission to Liquidate the Prasa-Ksiazka-Ruch Workers' Cooperative Publishing House, has removed Leszek Lesniak, the editor in chief of GROMADA-ROLNIK POLSKI, and Antoni Radzewicz, his deputy, because of "reports from some members of the editorial staff" that "confirm studies of the organizational and financial condition of the paper being conducted at present by the Supreme Chamber of Control (NIK) (among other things, concerning L. Lesniak's participation in a nomenklatura partnership). Zbigniew Lubak, until now a deputy, has been named acting editor in chief. The Association of Journalists of the Republic of Poland protested the decision, and 108 deputies supported the demands of the majority of the editorial staff that the "farmers become the coowners of the journal." The deputies accused the liquidation commission (at a meeting of the subcommission for agriculture) of yielding to pressures from people like Jozef Slisz and Bronislaw Geremek to put the journal under the influence of the Polish Peasant Party Solidarity (PSL Solidarnosc). At present an editorial committee is running the journal since the candidate for acting editor in chief failed in a secret ballot. ZIELONY SZTANDAR this week printed letters from J. Slisz and B. Geremek to the liquidation commission. J. Slisz emphasized that Polish Peasant Party Solidarity is the only political organization for farmers that unambiguously supports the current government of the Republic of Poland." Geremek writes: "The Citizens Parliamentary Club (OKP) supports the action of the Polish Peasant Party Solidarity to take over the paper GROMADA-ROLNIK POLSKI. We think that under the management of the new, nationwide Polish peasant party the paper will serve the interests of the Polish rural areas well." [passage omitted]

The price of tractors produced at Ursus has increased; the increase is not to exceed 10 percent and is justified by an increase in the producer's costs.

Jozef Slisz, the leader of Polish Peasant Party Solidarity, quoted in GAZETA WYBORCZA: "The political scene consisting of the Center Accord and Democratic Action with the Polish Peasant Party Solidarity in the middle is in a position to decide the future of Poland."

KONTAKTY in Lomza reports that Aleksandra Fabianska, the mayor of Ciechanowicz, has demanded a monthly pension of 6 million zloty from the council.

The Nord Clothing Plant in Suwalki is making uniforms for the Bundeswehr. The work, PAP reports, will last until the end of 1991. [passage omitted]

Who's News. The president has named several ambassadors: to Iraq, Krzysztof Plominski (age 43, professional diplomat, a specialist in Arab affairs, recently deputy director of a department of the Ministry of Foreign

Affairs); to Morocco, Krzysztof Sliwinski (age 50, doctorate in the natural sciences, Solidarity activist, interned during martial law, journalist for ZNAK, TYGODNIK POWSZECHNY, and recently deputy editor in chief of GAZETA WYBORCZA); to the GDR, Wojciech Wieczorek (age 62, a journalist from the Catholic community, in 1981-1989 editor in chief of WIEZ). GAZETA WYBORCZA has learned that the premier will soon remove two deputy ministers in the Ministry of Internal Affairs, Gen. Henryk Dankowski (age 61) and Gen. Zbigniew Pudysz (age 59). They are to be replaced by Prof. Jan Widacki (age 42), a lawyer and Solidarity activist, and Jerzy Zimowski (age 49), a lawyer interned in December 1981.

Opinions

Walerian Piotrowski, senator:

(Interviewed by Marek Krzyzewski, LAD 15 July 1990)

[Question] There has been an accusation that the Center Accord has no program, that its only unity is its desire for power.

[Answer] I think the accusation is incorrect. Is striving to create the space, the political conditions, for political pluralism, not a program? That in itself must be considered valuable after the years of political captivity, after the years of communist governments. Another accusation has also appeared—that our goal is to overthrow the government of Premier Mazowiecki. It is also false. The overthrow of the government of Premier Mazowiecki is not the goal of the Center, and it is not the goal of the Christian Democrats active in the Center. Taking a critical view of certain effects of the actions taken by this government—of importance to society as a whole—and communicating the resulting political judgment to the government—constitutes the duty to participate responsibly in the political life of Poland.

The Center has not announced a new economic program, but it has said there is an immediate need to consider corrections and then to move from considering to rapid decisions."

Marian Jurczyk, chairman of Solidarity '80:

(Interviewed by Jerzy Tomaszewicz, DZIENNIK POJEZIERZA 14-15 July 1990)

[Question] What is your present attitude toward Walesa?

[Answer] I do not hide the fact that Lech has made many mistakes; he himself knows that, but that does not mean that I would not shake his hand. And it so happens, that recently he offered me something nice—he wants to meet with me. I have already written back briefly: "Lech, I am waiting to meet with you."

Prof. Dr. Mikołaj Kozakiewicz, Sejm marshal:

(From the authorized record of comments made at the Kuznica Club in Krakow, DZIENNIK POLSKI 5 July 1990)

"Immediately after the election I spoke with Gen. Jaruzelski and asked him directly 'do you think that you were elected for a six-year term?' It was a private conversation. He answered: 'I do not expect that at all; I will not insist on being president for six years. If a fundamental change in the order in Poland is made, I will resign.'

"At the time, we thought it would be a three-year term. I think that the president has considered the possibility that such a change may develop in 1991, for example, in the spring."

[passage omitted]

Politics and Customs

Deputy Edward Krasowski on the overworked parliamentarians: "A few deputies have recently had heart attacks. People are really exhausted. Even in the Senate, which has less work, you can see the exhaustion; recently Prof. Bojarski fainted during deliberations. For people without experience in public activities, work in parliament is a tremendous psychological effort. At first, I experienced stress even before speaking."

The division in the Nowy Sacz Citizens Committee. MALOPOLSKA reports: "The accelerators had a definite edge and easily won in a series of votes leading to resolutions in support of Walesa.... Such a development in the situation inclined the opposition to leave the hall. Individuals left who identify with the strategy of B. Geremek and GAZETA WYBORCZA and see in Walesa a man with an axe, but at the same time people, who, it is necessary to remember, led Nowy Sacz Solidarity and the Region to electoral victory in June 1989 and again this spring." [passage omitted]

In Warsaw, it is said that editors on the staff at PRZEGŁAD TYGODNIOWY, formed in 1982, including Aleksander Rowinski, Romuald Karas, and Jerzy Ambroziewicz, intend to ask the Commission Liquidating of the Workers' Publishing Cooperative to turn the paper over to them. [passage omitted]

Another outpouring by the national monarchists: "If monarchy is for conservatism an idea that molds the authority of the government, then nationalist thought contributes to conservative elements such as 'an hierarchical society' and 'an organic nation.' Today in the epoch of the 'revolt of the masses,' the nationalists should be neither populists, nor egalitarians, nor progressives; instead, they should propagate the need to create national elites. The nationalists should be traditionalists, and not democrats." [passage omitted]

One of the arguments of Dr. Bronisław Syzdek for maintaining the Gomulka museum in Krosno: "It is not true as some in Krosno claim that Władysław Gomulka

cannot serve as a model for Polish youth. The very determination to strive for knowledge and toward the chosen goal, the devotion of life to others, and not to making his own fortune ... is today a positive example of a career achieved thanks to his own determination, talents, and strength of character." [passage omitted]

Bishop Alojzy Orszulik answers a question from NIEDZIELA whether Poles are anti-Semites: "I think that the problem is artificially inflated. Some obsessively see Jews everywhere, especially in government circles. In turn, Jews see anti-Semitism in the attitudes of Poles without justification.... I think that young people are

doing it as an inappropriate joke, and it is taken seriously as an expression of the mood of the whole Polish people. If anti-Semitic elements actually do appear, the Church will always lament them and will counteract them."

OPINIA, the weekly of the Confederation for an Independent Poland (KPN), on sentiment toward the government: "In this issue of OPINIA the degree of our support for the government is 10 percent. That is unjustified support. After recent government actions the degree of support should be three, six, or minus one percent. We decided, however, to maintain a level of a dozen or so percent for sentimental reasons." [passage omitted]

BULGARIA

Food, Medicine Shortages Affect Livestock

90BA0255A Sofia ZEMEDEL'SKO ZNAME
in Bulgarian 18 Jul 90 pp 1-2

[Article by Dimitur Kaydzhiev, candidate of agricultural sciences: "No Fodder, No Medicines"]

[Text] Animal husbandry will not receive a single vial of penicillin or streptomycin. Veterinary pharmaceutical shelves empty. Over 2,000 swine and baby pigs and 38,000 to 40,000 poultry dying every day. Sixty-six thousand tons of combined fodder gone to waste. Producers' losses equal 75 million leva.

Logic has often been violated in animal husbandry, with the blame shifted from the sick mind to the healthy one. What with the traditional blunders that have been made and the decline in productivity that inevitably followed them, the most outlandish decisions have been made.

Ordinarily the lack of sufficient fodder has had to be compensated for by intervening with...an injection.

But now this "aphorism" will not help, either, because there is nothing to put in the syringe. Incredible! The people in white overalls are all but obliged to become present-day alchemists to do their best to avert the exceptionally acute shortage. They are going back decades to employ remedies that were in use then but now are at the point of vanishing. But with the number of cases talks cannot be conducted.

Particularly in a situation without parallel in decades-long memory. Not only has the quality of combined fodders deteriorated, but they also have nothing in common with the concept of normal production. Let me substantiate this. Starting this year, once again the protein content was cut—for swine and baby pigs by 0.5-1.0 percent, for broilers by one point. The content of the amino acids methionine and lysidine was cut to 50 percent.

The constant deterioration of nutrition and of conditions of livestock raising during the past three years has also reduced the production of pharmaceuticals. As it happens, in my opinion, there are two reasons. Either the responsible figures in the Ministry of Agriculture and the food industry did not sound the alarm in time, or the government, so talk has it, turned a deaf ear and demonstrated its deep concern for animal husbandry in words only.

Just a few facts. In 1989 the pharmaceutical industry's plant did not conclude contracts for not one or two but 80 kinds of (Bulgarian-made) drugs worth 15 million leva due to lack of foreign currency. If we go on, the colors deepen more and more. For this year the Pharmaceuticals State Plant is failing to provide pharmaceuticals worth 42.5 million leva—that is, almost three times as much. Reason: Nearly \$7 million is needed to import

raw materials. The plant does not have it. The production of pharmaceuticals for swine and baby pigs has halted. It does not make sense that a country that for eight months has been talking about a priority for agriculture has failed to provide a single vial of streptomycin or penicillin.

This is how matters stand with production. It is known that most countries do not obtain everything from their own industry. For this purpose the necessary imports are secured. But in our country foreign currency in the return direction is constantly declining.

Despite the nearly 5 million foreign currency leva earmarked for 1988, the Bulgarian National Bank decided to release only 3 million leva. For the first half of 1990, 1.6 million foreign currency leva were specified. However, once again the Bulgarian National Bank did not pay out a single letter of credit from the allotted amount.

How, then, will the necessary drugs for treating all kinds of diseases be obtained? Not to mention prophylaxis, which by now has become some kind of a wish. I would like to remind you that, in the countries where agriculture is regarded as a vitally important national sector, it is prophylaxis that to a very great extent assures the success of production. Well, then, once we say that we have turned our steps toward these countries, should we not—at least little by little—learn from their experience in order to get out of our fiasco?

This, so to speak, is the actual picture. But very important in the event is: What are the consequences so far? Every day in our country 38,000 to 40,000 poultry are dying, most of which are broilers. In some complexes, such as those in the cities of Tolbukhin, Razgrad, and Kostinbrod, for example, mortality has reached 18-33 percent. In other words, from one-fifth to one-third of the poultry succumb, which on average is eight times more than in the past eight years.

The situation with swine is no better than poultry. Every day over 2,000 swine and baby pigs die. Since the beginning of the year the total number is 377,000.

How much unobtained output do these figures amount to? The poultry shortage is 1968 tons, the pork and suckling pig shortage is 11,310 tons. This is, in a manner of speaking, a loss for the consumer. But what is it for the producer? Approximately 85,000 tons of mixed feeds, for some components of which hard currency were given, were expended on the dead animals. But who ever thinks about this aspect of the problem? I venture to suggest to the responsible figures at the Bulgarian National Bank that, when they calculate the bottom line of some indicators, they make an estimate of what the adverse results will be. Even elementary logic compels us to proceed thus.

Nor must we forget! Expressed in money, the producers' loss is approximately 75 million leva.

The picture will not be complete if I do not point out also the after effects in new cases of animal diseases. A long-term trend towards an increase in new cases has been established. Thus, in cattle, for example, they amount to 72 percent, in sheep 33 percent, and in swine 65 percent. Especially alarming is the situation with newborns and youngsters, more than 80 percent of which fall ill. What can be expected of these animals when they are supposed to yield output? In a word, animal husbandry has been eradicated.

It is high time to put an end to the one-sided solution to the questions. True, foreign currency is limited. But surely the state is not justified during this financial crisis in supporting inefficient enterprises, is it? And for vitally important production, surely it can spare a lev, can it not?

At issue is the people's health. I do not want to go into detail, but I would suggest to the government that it concern itself a little with the grave after effects that will ensue in animal husbandry in a year or two unless the attitude toward it changes.

And this means that better times will not come for humans, either, better times with the provision of animal proteins—that irreplaceable component of their diet, without which normal vital functions cannot be maintained. At issue, dear sirs and rulers, is the nation's future.

CZECHOSLOVAKIA

Labor Union-Employer Relations Clarified

90CH0358D Prague PRACE A MZDA in Czech Jun 90
pp 1-13

[Article by Dr. Bohuslav Kahle: "New Law on Labor Union-Employer Relations (An Explanation)"]

[Text] Law on labor union pluralism—this is how the broad labor union and professional public calls the Federal Assembly act of 23 April 1990 regulating certain relations between labor unions and employers.

The issue of labor union authority had been addressed previously in legal statutes, especially decisions of the labor union center.

Until now the Labor Code and some other statutes did not always provide unequivocal guidance on which labor union body should exercise the rights granted to it by these statutes vis-a-vis the economic and state authority. In a number of cases they merely referred to "the appropriate labor union body" or just "labor union body." Which labor union body has responsibility for such cases as a partner of a given economic or state authority was determined by the unified labor union center in accordance with Article 25 of the Fourth All-Union Congress resolution on factory committees of base organizations, with changes and amendments

adopted by resolution of the countrywide all-union conference in May 1965 (appendix to Law No. 37/1959 of the Collection, on the status of factory committees of the ROH [Revolutionary Trade Union Movement] base organizations).

For instance the presidium of the Central Council of Czechoslovak ROH made use of this right and by its decision of 18 February 1970 ruled on the responsibility of labor union bodies in cases where such generally defined responsibility derived from the Labor Code. A further decision on 18 September 1970 defined this responsibility in the area of other legal statutes. Both directives assured for many years a uniform interpretation and procedure in the practical application of the generally defined authority of labor union bodies. These directives were binding on economic and state authorities including the courts which have to address the issue of the authority of labor union bodies from the point of view of the legal validity of the organization's actions. The Central Council of Czechoslovak ROH directives of 18 February 1970 were registered in the Collection of Laws Part 14 dated 15 May 1970.

In connection with amending the Labor Code effective on 1 January 1989, which referred to lower labor union bodies throughout merely as "the appropriate labor union body" while excepting URO [Central Labor Union Council], COR [Czech Labor Union Council] and SOR [Slovak Labor Union Council], a "Definition of the Responsibility of Labor Union Bodies in Accordance With the Labor Code and Other Legal Statutes" was issued and approved by the URO Presidium on 19 December 1988. But the legislatures refused to register this directive in the Collection of Laws, on the ground that it did not constitute a generally binding legal statute because no law existed empowering URO to issue this regulation. The Labor Code did not contain such authorization and until then there was no law on labor unions. But the courts and other state and economic authorities honored the regulation. It drew a distinction especially between individual union and all-union bodies, factory, and plant committee, as also lower labor union bodies—ROH shop committees and section units.

New Situation—New Legal Regulation

But the present situation required a rapid adoption of a far more significant legal regulation because of the following:

- abolition of the Revolutionary Labor Union Movement and the only central labor union body—the Central Labor Union Council which was authorized in certain areas to issue also generally applicable legal directives;
- new free labor unions constituted themselves expressing the will from below, from base organizations and thus new labor unions and new labor union centers emerged on the basis confederations;

- the former principle of "one factory—one labor union organization" was abandoned; in factories, plants, etc., there can be several union organizations belonging to different union federations;
- in theory it is possible to have a labor union base organization without it belonging to any union federation;
- the uniform ROH bylaws were abolished and the individual federations freely adopted new bylaws reflecting a new definition of the legal status of union bodies within the federations and binding on both the federations and their base organizations.

The purpose of the new legal regulation is also to bring our legal statutes into conformity with the International Labor Organization's convention No 87 on labor union freedom and protecting the unions' right to organize, and with the International Convention on Economic, Social, and Cultural Rights in regard to the requirements that legal statutes do not impede full exercise of labor union rights. This requirement would not be met without revising a number of legal statutes granting the exercise of union rights in legal relations covered by these statutes solely to one union organization, the Revolutionary Labor Union Movement and its organizational units.

General Successorship

According to Section 1 of the new law, in cases where legal statute grants rights to the Revolutionary Labor Union Movement, these rights are extended under conditions further stipulated in the law to labor union organizations and bodies created on the principle of free labor association. Thus it offers the newly created labor unions a blanket successorship to the rights which until now were granted by law to the bodies and organizations of the abolished Revolutionary Labor Union Movement. This covers labor law in particular, but the legal successorship extends to all legal statutes as well including finance, civil, and criminal law.

This successorship covers labor union bodies within organizations employing workers and the higher labor union bodies. Interpretation of this provision must always proceed from a partner relationship and current structures and designations of union bodies. So for instance if following Section 38 item 5 of the Labor Code the CSSR Government could, after consultation with the Central Labor Union Council, issue a decree specifying conditions for an employee's temporary assignment to work in an organization other than the one presently employing him, it can now be done by the CSFR Government after consultation with labor union centers existing at present, i.e., the Czechoslovak Confederation of Unions and the Confederation of Arts and Culture. As for the branch ministries, they must respect the rights of all union federations in which workers in the branch are organized. So if for instance in the domestic trade branch in Slovakia workers in some establishments are organized in the Commercial Workers Federation which operates nationally, and others in the Federation of

Commerce and Tourist Trade Employees which operates in Slovakia, the Slovak Republic's Ministry of Commerce and Tourism must, according to this law, respect both independent labor union federations, especially in regard to issuing regulations on labor law and wages.

Successor organizations are all labor union organizations and their bodies established on the basis of free labor association in the meaning of the International Labor Organization's 1948 convention. As a condition the labor organization must have bylaws by which it is governed. This usually means bylaws of the labor federation which the union base organization functioning in a place of employment will join. If a union base organization exists outside any labor federation it must adopt its own bylaws.

Whose Authority and for What

Section 2 of the law addresses the legal aspects of the authority of labor union bodies in an enterprise in which several labor organizations are active. Without doubt it is this legal statute which is intended to deal with a plurality of labor organizations within one enterprise, that is, plurality consisting in affiliation with different labor federations. A plurality of several union organizations belonging to a single labor federation existed before and for that it was not necessary to adopt new legislation. Their status and authority vis-a-vis the employer's management was and continues to be a matter of the bylaws of the respective labor federation. Yet the law does not make a distinction between these two pluralities and it is difficult to draw from it the general inference that it covers only the plurality of organizations belonging to different labor federations or to none at all. Moreover, we now see the founding of several union base organizations within one enterprise which belong to the same labor federation and operate side by side in the same place of employment. Thus it also comes to a competition between base organizations within a labor federation, and so we conclude that the law covers any plurality of union organizations. Hence it covers cases where under one employer (enterprise, institute, cooperative, etc.) but also within an intraenterprise organizational unit with a certain legal identity (as e.g., a factory) there are several active union organizations which are members of the same labor federation. And also cases when under one employer there are several labor organizations affiliated with different labor federations. In the first case it is customary that the individual union organizations headed by shop committees establish for the purpose of exercising rights involving the entire enterprise and enterprise committee.

If an employer has several union organizations operating side by side, in matters concerning all or a large number of employees when generally applicable regulations require consultation with or consent of the labor union body, this employer must meet this obligation vis-a-vis the pertinent bodies of all participating labor organizations, unless otherwise agreed with them. This involves particularly measures according to the Labor Code and

its appendix consisting of the decision of the Fourth All-Union Congress on factory committees of ROH base organizations, with changes and addenda supplied by the decisions of the countrywide all-union conference in May 1965 (appendix to Law No. 37/1959 of the Collection on the status of factory committees of ROH base organizations).

In the area of joint decisionmaking it involves particularly the promulgation of and change in work rules, setting general work hours, ordering night work for women, setting an overall limit on overtime work and its breakdown within the organization, adoption of key wage measures, application of different forms of wage payment and changes in them, introduction of and changes in labor input norms, setting the overall number of the labor force, its composition and allocation, ordering work on holidays.

If an organization employing personnel has for instance two active union organizations and thus two factory committees (or whatever name is given them by the superior union bodies according to their bylaws) which under the adopted bylaws have a legal standing (meaning that by their actions they can assume rights and obligations), the employer's management must deal with both labor organizations and secure for any proposed legal action their prior consent if so required by legal statute. As examples, in a factory there is a union organization of the metalworkers federation and a union organization of factory transport workers; or in a department store there is a union organization of employees in commerce and a union organization of hotel, restaurant and tourist industry workers. To issue work rules the management in both cases needs the consent of both union organizations, absent which the work rules are invalid (except when both are unable to agree, as explained below).

Union-Employer Agreements

The law assumes agreement between the employer and the labor organizations active among its employees on what authority and in what extent will be exercised by only one or some union organizations of its employees. This provision will surely be applied often in regard to the authority of the enterprise union body (for instance the enterprise committee) which will act on behalf of all shop committees active in the enterprise—especially if they are union organizations affiliated with one labor federation. It will be probably rather less helpful in situations where the employer deals with several organizations affiliated with different labor federations. In these cases too it is possible that for instance both union organizations agree with the enterprise management that some legal actions (such as issuing work rules) or all such actions will require consent from only one union organization (for instance the one having a larger membership). But relevant to such cases will be especially another provision of the law which addresses cases where union bodies active within the same enterprise fail to agree on giving or refusing consent. If the bodies of all affected union organizations fail to agree not later than

15 days of the date the request was submitted to them on whether or not to give consent, the position of the union organization with the largest membership among the employees will prevail.

If in the aforementioned cases of the factory and department store both union organizations fail to agree on giving or refusing consent to the proposed work rules, the position which will decide on whether consent is granted or refused will be of that factory committee which leads union organizations with the largest number of members among the employer's staff.

These legal provisions therefore urge all union organizations within a company to act with dispatch and jointly in matters where the management requires consent for a legal action affecting all or a large number of employees. If all union bodies involved fail to act in agreement within 15 days of request, the deciding opinion for the validity of the legal action is that of the union organization with the largest membership (and it is then irrelevant if the opinion was rendered within 15 days of request for consent or afterward). If consent was not requested on the same day from all union organizations active within the company, the 15-day period will count from the day the last union organization received the request.

Of practical significance will be the possibility anticipated by the law that the union organizations involved agree on a local or personal applicability of the employer's actions. It is evident that if wage measures in particular will apply only to a certain employee group, consent will be requested only from the organization of which they are members and not from all union organizations in the company. In the cases cited above, say if it is bonus rules for workers in factory transport or the cafeteria section in the department store, consent will be required only of the union organization of factory transport workers or the public catering sector.

These examples show that labor union plurality—that is the concept of “several union organizations existing side by side”—must be interpreted more narrowly than expressly stated in the law, and not only within the scope of an entire company (for instance within the scope of an entire mammoth enterprise operating all over the country and encompassing a multitude of intraenterprise units). One has to proceed above all from a partner relationship with a specific management executive, the local or personal applicability of a legal action and the territorial authority of the individual union base organizations. That is, whether the proposed legal action affects only a certain segment or number of employees working in a certain organizational unit (worksites) and whether in this organizational unit (worksites) there are several union organizations whose territorial authority overlaps. If in this organizational unit affected by the management's proposed legal action there is only one active union organization, the law on labor union plurality does not apply even though within the entire company (such as an enterprise) there are several active

union organizations. But if the legal action by the employer's (for instance an enterprise's) management affects all company employees—that is, all organizational units in which several union base organizations are active—the law on labor union plurality does apply.

Any other interpretation would create a situation where measures affecting only a certain organizational unit (worksite) in the enterprise could be subject to codecision by a union body other than the one representing the organizational unit (for instance by a factory committee with the largest membership within the enterprise).

The Matter of Collective Contract

In the negotiation of collective contracts the rule is that the appropriate union bodies active in the company may in the name of the employee collective act and negotiate with legal effect for all employees provided they do so jointly and in mutual agreement, unless they agree otherwise among themselves and with the employer's organization.

Thus the collective contract is as before subject to approval by all employees (or their delegates) to be covered by the collective contract. Hence a general consensus of union bodies and members of union organizations is essential for concluding a collective contract. The contract draft may be approved at membership meetings (conferences) of the individual union organizations (affiliated with one or more labor federations), or at delegate conferences (in small organizations at a membership meeting) to be organized jointly by all union organizations active in the company (even if they are affiliated with different labor federations).

In the former case however, consent is required from all membership meetings for concluding a collective contract; rejection by a single one precludes a legally valid conclusion of the contract. The latter method—a conference or membership meeting of all union organizations—has the advantage of leading to a faster conclusion of the collective contract; it may however result in delegates or members of some union organizations (for instance also of members of an organization affiliated with a federation different from the others) being outvoted in this process.

But it will not be possible to conclude several collective contracts (for instance one with each union organization) just because each is affiliated with a different labor federation. The essential requirement is for all parties to the collective contract to be in mutual agreement—both on the employer's side and on the part of employees represented by all union organizations active in the company (unless they agree differently, for instance that during negotiation of the collective contract all union organizations will be represented by only one or only by one union body such as the enterprise committee). Acting in such unison in negotiating the collective contract is of importance also for the legal consequences

flowing from the signed collective contract, especially as concerns drawing from the FKSP [cultural and social services fund].

Negotiation of collective contracts continues to be subject to the Federal Government decree No. 82/1989 of the Collection on collective contracts. These provisions still in effect distinguish collective contracts of organizations (enterprise collective contracts) which are obligatory, and contracts of organizational units (factory collective contracts) which are voluntary. But the obligation to negotiate a collective contract with an organizational unit arises when a labor union body active in an organizational unit so requests (see section 1 item 2 of the CSSR Government Decree No. 82/1989 of the Collection). The law on labor union plurality mandates the duty to proceed in the negotiation of a collective contract only on a joint basis and in mutual agreement among all union bodies (unless they agree differently among themselves). So if there are several union bodies active side by side within an organizational unit, the obligation to negotiate a collective contract for the unit will actually arise only in case when all union bodies active within the organizational unit request it.

Who Represents the Individual

A somewhat simpler situation will occur in regard to employer legal action affecting individual employees. According to Section 3 of the law, if there are several union organizations in a company the employee is represented in matters of labor law or of similar nature by the appropriate body of the union organization of which he is a member.

This covers especially dismissal, transfer to another position or work location, and also time off for advanced study, determination of payment for damage, and the method and extent of recovering damage caused to the employee, etc.

If the employee is not a union member he may designate a union organization to represent his interests in cases where the law mandates the employer to consult with a labor union organization or seek its prior consent for a specific legal action. Of course the employee may choose only from among union organizations which are active in the company or organizational unit where he is employed. To take advantage of this provision of the law, there must be at least two union organizations active in the work place. Otherwise the procedure is as before, meaning that employees who are not organized in a union are represented automatically by the only labor organization active in the work place. If an employee who is not a union member fails to make use of this right, the relevant rights and obligations vis-a-vis the employer are handled by the union organization with the largest membership in the company.

Designation of the appropriate union body must be made in time, that is prior to the proposed legal action by the employer. This concerns particularly dismissals where prior assent of the union body is mandatory under

pain of invalidation, when it will be necessary to ask the nonunion employee for his choice during a personal interview with him on the reasons for the proposed dismissal and his response (including which, if any, union body he has chosen to represent him), and possibly prepare a brief note in writing to preclude any future challenge to the authority of the union body. It is our view that there would be no legal basis for a nonunion employee to declare that he does not want to be represented by any union body. For one thing, the law on plurality does not offer him this option (the employee can only designate a union body different from that which represents the union organization with the largest membership); moreover, this would constitute an invalid legal act according to Section 242 item 1 of the Labor Code.

Selection from a number of union bodies with the authority to represent a given employee in regard to labor law and related matters would be available also in case the employee is a member of two (or more) union organizations active in the company. In our opinion here, too, the employee can choose but only one of them. He cannot designate all because the law mandates the duty to deal with the appropriate union body and not with union bodies as such.

And What About the Higher Union Bodies?

The law addresses specifically consent of a higher union body to employee dismissal in accordance with Section 59 of the Labor Code. These are cases when a so-called double consent is required for dismissal or immediate termination of some union functionaries, or employer appeal against the union body's disapproval of an employee's dismissal. With respect to members of the factory committee (or a lower union body to which is delegated the power of joint decisionmaking with the employer), members of the enterprise committee or arbitration commission during their term of office or for two years after leaving office, the employer must obtain for their dismissal not only consent of the union body of their base organization active in the company but also consent of the appropriate higher labor union body. Without prior consent of both bodies a termination of employment by dismissal or on-the-spot firing by the employer is invalid. In the past the okres (obvod) labor union council (OOR) served as this higher union body. At the same time OOR was the responsible higher union body empowered to review at the employer's request a negative stand by the union body in the company (in most cases it was the factory committee) on termination of employment of other company employees by dismissal or on-the-spot firing (see Section 59 item 4 of the Labor Code). But the OOR have been abolished and now it was necessary to make a new determination which is the responsible higher union body.

For both cases the law provides that the responsible higher labor union body is the higher body of the union organization active in the company. To make a specific determination it is necessary to consult the bylaws of the

labor union federation with which the union base organization is affiliated. Given today's two-tiered arrangement of union federations (base organization—federation), this responsible higher union body will as a rule be the executive committee of the labor federation, its presidium or the committee of its territorial body (chamber). But always in accordance with the bylaws it must be the federation's union body which has legal authority to deal with these legal acts (or which was empowered by an appropriate authority to carry out legal acts listed in Section 59 of the Labor Code).

This of course may lead to certain delays because the responsible higher union body has its seat as a rule in Prague or Bratislava, or in case of a chamber structure also in Brno or some other kraj capital. So it may not be amiss to recall Section 46 item 4 of the Labor Code according to which the two-month period (which is preclusive in cases of dismissal for violating labor discipline or for causes justifying immediate termination of employment) does not include the time between filing a request for consent and the time the employer receives the decision of the responsible higher union body. The same applies to the one-month period in cases of immediate termination of employment (see Section 53, item 2 of the Labor Code).

If there is no such body or if the union organization lacks a higher union body, sufficient conditions for legal acts in accordance with Section 59 of the Labor Code are:

- a) when discharging union functionaries, only consent of the leadership of the union base organization of which they are (or were) members and functionaries;
- b) when discharging other employees (that is not present or former union functionaries), a mere review with the appropriate body of the union base organization active in the company.

Absence of a higher labor union body will be found especially in cases where the union base organization did not affiliate with any labor federation. This of course leads to a substantial change and weakening of union participation in discharges of both rank-and-file employees and union functionaries.

Insofar as the responsible union body active in the company and exercising powers according to Section 59 of the Labor Code (as well as Section 41, as noted further down) represents a union organization not affiliated with any labor federation and thus lacks a higher union body, under the law (see Section 3, item 3) the codecision authority of the union body (granting prior consent) for dismissal or immediate termination of employees changes into mere participation (prior review of these legal acts by the employer with the union organization). In the same cases involving union functionaries a mere consent of the leading body of their union organization is sufficient, thus in fact ending the stronger legal protection of union functionaries by introducing the so-called "double consent" which had to be pushed with difficulty for years. So it should be in the interest of all union base

organizations active in a company to be affiliated with one of the labor federations so as to have a higher union body. It is in the interest of legal protection of both their members and functionaries.

In theory it would probably be admissible that a union organization unaffiliated with any labor federation stipulate in its bylaws that its higher body is for instance the membership meeting (conference) of this union organization or the enterprise union body.

In Section 3 items 2 and 3 of the new law there is explicit reference only to the authority of a higher union body in cases listed in Section 59 of the Labor Code. This is a major shortcoming of the new law because the authority of higher union bodies needed to be regulated with general application to all Labor Code provisions which call upon these higher union bodies in cases affecting the interests of individuals. For instance the stronger protection of union functionaries is legally assured also in Section 41 item 1 of the Labor Code for cases of employee transfer to other work than provided for in the work contract when the employee disagrees with the transfer. Also, nomination to or recall from a management position according to Section 65 item 2 of the Labor Code must be reviewed in advance with the appropriate union body. So these and possibly also other provisions of the statute referring to the authority of higher union bodies cannot but be interpreted by analogy, as previously noted in cases referred to in Section 59 of the Labor Code. Thus the higher union body is the body of the labor federation which according to the bylaws of this federation possesses legal authority. If the union organization lacks such a body or if one does not exist, consent or review by only the body of the union organization active in the company is sufficient. For instance in cases listed in Section 41 of the Labor Code it is enough to have the consent of the responsible body of the union functionary's union organization for his reassignment or transfer. If a review of the nomination or recall of a managerial employee is required, in our opinion it is sufficient to review this step in advance with the union body active in the company, even in cases where the nomination or recall is initiated by a higher body or officer than is the head of management (see Section 65 item 2 of the Labor Code) and a higher union body does not exist. Thus the powers will be exercised by the same union body as in the case of managerial employees who are appointed and recalled by the employer's top management.

According to Section 1 of the law on the general successorship of labor union bodies established on the principles of free labor association to the rights granted to ROH, it will be necessary to resolve also other cases in which the statutes refer to the appropriate higher union body (for instance in the Labor Code Section 84 item 4 on shorter work hours for health reasons, Section 213 item 2 on filing proposals for quashing arbitration commission decisions, Section 273 item 2 regulating issuance of OBP [labor safety] rules, Section 152 item 3 on

consent to night work of women, Section 185 item 5 on recovery of damages caused by company management).

Of particular significance is Section 112 item 2 of the Labor Code according to which refusal of the responsible union body to grant consent to the management's wage measures permits the management to call on the appropriate higher union body with a request to review the negative opinion. If the higher union body finds that the refusal of the union body active in the employer's organization is contrary to the interests of society, it may abrogate its decision and grant consent itself in place of the lower union body. Such employer requests may become relatively common in connection with introduction of economic reforms and the activity of the bodies of the new labor union federations may become very important, demanding and difficult in regard to maintaining the necessary objectivity, a high degree of expertise in judging merit and avoidance of improper interference with independent decision making of union bodies operating in places of employment.

When no higher union bodies exist it of course means that these rights will not be exercised at all in these and similar cases. For instance in a case referred to in Section 122 item 2 of the Labor Code the definitive and final decision will belong to the union body according to Section 122 item 1 of the Labor Code. But the absence of a higher union body has already been dealt with in court practice—see the CSR Supreme Court ruling of 22 October 1971 (3 C2 26/71), Collection of Rulings No. 45/72. According to this ruling, when there is no appropriate union body in a company it is not possible to meet the requirements mandated by law in relation to union bodies (for instance meet the condition of prior consent by the appropriate union body in case of employee dismissal) and the management's legal act is valid in spite of this absence of consent by a union body. These conclusions unquestionably cover the absence of both a responsible union body in a company and of a higher union body.

Question Marks Around Arbitration Commissions

Section 4 of the law addresses the issue of the authority of arbitration commissions. It is pointed out that the wording follows approximately the Decree No. 42/1975 of the Collection on handling and resolving labor disputes by arbitration commissions, in the version of Decree No. 25/1983 of the Collection. In practice this means that the individual union organizations can set up their own arbitration commissions, which with the multiplicity of union organizations in a company or organizational unit (factory) may lead to having more arbitration commissions than until now. It will be necessary to maintain the principle that an arbitration commission will handle disputes of only those union members who are members of the union organization which set up the commission. It is our opinion that a nonunion employee may choose an arbitration commission or this authority will be exercised by the arbitration commission of the union having the largest membership in the company.

But it will be most practical in cases where a number of union organizations operate in a company (even though they may be affiliated with different labor federations) if they agree among themselves on setting up only one commission for all union members as well as nonmembers, that is all employees within the jurisdiction of the commission (for instance a factory).

But actually there should now be no new arbitration commissions set up because it is anticipated that in the future they will be abolished and their powers transferred from labor union bodies to state organs (courts).

Penalties on Employer for Failing To Meet Obligations

Violation of or failure to honor legal statutes on the status of labor union bodies grounded in the law is a violation of the law. In some cases failure to honor legal statutes on the codecision rights of labor union bodies is sanctioned by invalidating the employer's legal action. Here we have in mind especially the codecision right of labor union bodies referred to in Article 6 of the decision of the Fourth All-Union Congress, according to which the management can carry out a number of legal actions affecting all or individual employees legally only after prior consent of the labor union body. These legal actions taken without prior consent of the appropriate union bodies are automatically invalid and need not be heeded by anyone. In case of a dispute between employee and employer this fact must be considered by the court. But also in cases when the absence of prior consent or opinion expressed by the union body does not result in invalidating the employer's legal action, it does constitute violation of legal statute and does not leave the unions entirely without recourse against it. They can choose several avenues to insure that the unions' legal rights are respected. Aside from resolving the issue by union struggle with the possible assistance from their labor federations, there are also legal means to obtain redress.

Violations of labor laws which include statutes on the powers of union bodies in labor relations can be brought to the attention of authorities charged with overseeing their observance. These are primarily the National Committees and the Ministries of Labor and Social Affairs; when the issue is failure to respect union role in the issuance of wage regulations it involves also the Ministries of Finance, Prices, and Wages. These authorities may also impose fines for violating regulations. Violation of statutes on the status on labor union bodies can also be brought to the attention of the agencies of the procuratura which guard over maintenance of legality. It is also possible to turn to the higher authorities, in particular the employer company's founder. The union body may suggest to the appropriate authorities to impose on those who are responsible in the management suitable measures in accordance with the valid statute. These may include reduction or denial of bonuses, disciplinary measures or even removal from position (see Article No 22 of the Fourth All-Union Congress resolution).

Participation Instead of Codecision

A fundamental change—whose correctness and justification is the subject of much debate primarily in labor union circles—is envisioned in Section 5 of the law. This stipulates that in cases where the law requires a legal statute to be promulgated in agreement with a body of the Revolutionary Labor Union Movement, the new rule establishes the mere duty of a prior review of this statute with the appropriate labor union bodies. In interpreting the term "legal statute" in labor relations it is evidently necessary to proceed from the definition in Section 272, item 1 of the Labor Code that legal, labor relation, special and wage statutes are understood to be generally applicable legal statutes. From this follows clearly that the law on labor union plurality abolishes codecision and replaces it with participation only in the issuance of generally applicable legal statutes. Thus it means abolishing the codecision right of higher labor union bodies in relation to the central agencies of state administration which are empowered to promulgate generally applicable legal statutes. But it does not thereby abolish codecision of labor union bodies in regard to issuance of legal regulations by employers. Abolition of codecision covers also the central bodies of cooperative and social organizations.

The appropriate labor union partners for these instances of codeciding are the agencies of unions and associations which may delegate their powers to the federations or confederations of unions and associations. It would be of course unrealistic to have for instance Governments or Ministries of Labor and Social Affairs deal in the promulgation of generally applicable legal statutes with all labor unions of which there are several dozen. For these cases the law envisages that unions will delegate their powers in the area of promulgating generally applicable legal statutes to the bodies of confederations with which they are affiliated. So it is anticipated that these delegated powers will be assigned to the Czechoslovak Confederation of Unions (CSKOS) and the Confederation of Arts and Culture (KUK).

Thus the provision of Section 5 represents an indirect revision of the Labor Code. This concerns especially Sections 23 and 123 of the Code as regards issuance of labor and wage regulations by branch and interdepartmental [průřezové] Ministries, in particular the Federal Ministry of Labor and Social Affairs. But it covers also promulgation of some decrees by Governments and central agencies of the state administration according to other provisions of the Labor Code. It has to be noted that according to the Labor Code it is the principle written into Section 242, item 2 of the Code which applies to the area of participation—if a legal action is to be merely reviewed with the appropriate agency it does not make it legally invalid if no such review took place. Of course such cases could also involve violating the law, but this without effect on the validity of legal statutes adopted without review with the union. A review also means leaving open the opportunity to express an opinion on the proposed legal statute, but the statute can

of course be approved and is valid even in spite of a negative opinion of the partner invited to express it—the union body.

So we have an indirect revision of the Labor Code in regard to the codecision right of higher labor union bodies. The new law on labor union plurality does not contain a derogative provision, that is, a specific enumeration of and reference to statutes that are being abolished. But surely it is the first and extremely important step toward the anticipated revision of the Labor Code in regard to labor union rights, also presaging to a large extent the content of a future law on labor unions. It is evident that it will be viewed positively by personnel of the central agencies of the state administration, offering them relief from potentially complicated dealing with labor union bodies whose stand in case of a disagreement would according to present regulations make it impossible to issue, change, or abolish a labor or wage statute.

A Few Words in Conclusion

So far reaction to this new law has been mixed in labor union circles. Some union leaders see in the dismantling of codecision for higher labor union bodies the correct way toward "getting the Government out of unions" [odstatneni odboru]. They point out that codecision rights in issuing legal statutes are not granted to unions in other countries and that in pressing for union demands it is necessary to employ other means including strikes. Other unionists however argue that codecision in our specific conditions has its justification in protecting the employees' social rights. They condemn what they see as a retreat from an important labor union right and emphasize that by codeciding in the issuance, change or abolition of labor and wage statutes the unions do not surrender their right to work for their change if the measures proved to have undesirable effect. Moreover, in the case of wage regulations even if they had been approved by the central labor union bodies, putting them into effect within a company still required consent of the union body active in that company. Put simply, they view the codecision right of labor union bodies as the better way of avoiding conflict with government and state authorities, instead of achieving the goal by strike struggle. In dismantling this right they see an effort to undercut the influence of the new unions which will not be as docile as under the totalitarian regime. This particularly in regard to promulgating statutes affecting worker rights and obligations.

Considering this difference of opinion and with a view to the coming revision of the Labor Code and preparation of a new law on labor unions, we will gladly publish the views of our readers and especially unionists on the abolition of labor union codecision rights.

It is precisely in a plurality of views that we can help the appropriate authorities, including legislators, to find the best way for the legal arrangement of our future,

including the formation of labor and wage regulations on the central level and where people work for an employer.

Prepared also with input from the discussion and conclusions of a meeting of labor union lawyers held in Prague on 8 May 1990.

HUNGARY

World Bank Loan for Telephone Network Development

25000782E Budapest NEPSZABADSAG in Hungarian
14 Aug 90 p 5

[MTI Report]

[Text] Negotiations between the Hungarian Government and the World Bank regarding the assumption of a new loan were concluded. Based on the agreement reached, the World Bank will lend \$150 million before the end of this year for purposes of developing the Hungarian telephone network.

In conjunction with the World Bank loan it is expected that the European Investment Bank will also help to improve the infrastructure with a loan amounting up to \$100 million. Both loans will mature in 15 years, repayment must begin after a five year grace period. Negotiations concerning the planned loan with representatives of the latter bank will begin in September.

Recently the Hungarian government decided to accelerate the development of the telephone network. In the next three years plans call for the expansion of the present network of 1 million lines, by 520,000 new lines. The total cost of this investment amounts to between 83 million and 84 million forints. The foreign loans will be used to procure the needed modern imported equipment.

Trade Agreement With South Africa

25000782C Budapest MAGYAR HIRLAP in Hungarian
11 Aug 90 p 4

[Article by -n.lantos-: "Trade Agreement With South Africa: Exempt From Customs Duty"]

[Text] A trade agreement was signed yesterday by Minister of International Economic Relations Bela Kadar, and South African Minister of Trade, Industry and Tourism Ken Durr. Durr came to Hungary from the Soviet Union. The agreement is a result of seven months of preparatory work. It not only established for Hungarian enterprises conditions equal to those enjoyed by firms of neutral Central European countries, but also provides unilateral preferential advantages to Hungary.

Not too long ago Nelson Mandela said that "the system of apartheid, with the accompanying division, suffering, and economic and social nuisance has come to an end." Under such changed political circumstances Hungary no

longer had a reason to forgo the tremendous opportunities that exist in trade relations with the Republic of South Africa. Accordingly, the time has come to abolish the restrictions, to discontinue all embargoes introduced on the basis of political considerations. We did not act hastily in taking this step—a matter also important from the standpoint of South Africa. We established a condition by which Hungarian goods should be exempt from the import surcharge [duty] which is imposed at a rate of between 20 and 40 percent, depending on the kind of goods imported.

As a result of the bilateral agreement a huge market has opened up for Hungary, a market, which at the same time may become one of the alternative sources for imported raw materials instead of the Soviet Union. The Republic of South Africa represents about 40 percent of the economic capacity of the African Continent, and it controls a similar share of foreign trade. Last year South Africa's imports amounted to about 16 billion US dollars, while exports exceeded 21 billion dollars. One should note that 33 percent of South African exports consist of fundamental raw and base materials, such as iron ore, coal and rare metals (e.g. platinum, molybdenum, gold). The fact that South African firms are potentially substantial industrial and commercial investors cannot be neglected, either; their interest in the Hungarian market was felt in the recent past.

As a result of the trade agreement an upswing in mercantile trade is expected. Hungary intends to support this upswing by planning soon to establish trade representation in Johannesburg, while South Africa will have its trade representation in Budapest. At this point it depends on Hungarian enterprises whether they take advantage of the huge opportunity which presents itself as a result of the exemption from the customs duty surcharge. There is a good chance that a very large, new market may be found as a result of the trade agreement, for example, for Hungarian buses, pharmaceuticals or color television sets. TV sets enjoy a 40 percent advantage as a result of the exemption, against products manufactured in the world, which are mostly similar to the Hungarian product.

Trade With Cuba: Rubles No Longer Acceptable

25000782B Budapest NEPSZABADSAG in Hungarian
16 Aug 90 pp 1, 3

[Article by reporter Csaba Nagy from Havana: "Hard Currency Also for Trade With Cuba"]

[Text] Diplomatic sources informed the NEPSZABADSAG's reporter in Havana that beginning on 1 August, trade between Hungary and the Caribbean island subject to settlement in transferable rubles exists only on paper. From that point on Hungarian enterprises may trade with their Cuban partners exclusively for payment in convertible currencies.

During the first days of this month a Hungarian negotiating team paid a visit to Havana to clarify in what form

economic relations between the two countries should continue. They returned to Budapest without accomplishing their job. From a practical standpoint, the Cuban side refused to provide specific answers in regard to any topic raised, thus the fate of the approximate amount of 180 million rubles in accounts receivable by Hungary is still in doubt. This amount has accumulated as a result of delinquent installment payments on loans, and of delinquent payments related to ongoing trade.

The event preceding this matter is that in the middle of the year the Soviet Union cancelled an agreement which governs intra-CEMA trade payable for in transferable rubles. The Hungarian government took similar action thereafter, recommending to its CEMA partners—thus also to Cuba—to clarify implementation of this matter in the framework of bilateral negotiations before the end of this year, so that beginning 1 January settlement of accounts may be made in convertible foreign exchange. At present the largest question is whether there should exist overall free settlement, or if a temporary solution containing clearing elements should be applied.

According to information received by this newspaper, the Hungarians recommended to Cuba that it should be possible to settle their existing ruble obligations until March of next year. Expenditures incurred thereafter would have to be paid and settled in convertible foreign exchange. But since the Cuban side was not willing to provide a substantive response to the Hungarian recommendation, no agreement was reached in regard to the change; an agreement may be expected perhaps during the fourth quarter.

We understand that the Hungarian view holds that Hungary will no longer enter into ruble agreements with Havana, but it would like to see that agreements now in force are observed by both sides. This, in essence means that the Cubans would perform work in order to defray their debts.

At the same time, the Hungarian side would make it possible for Hungarian and Cuban enterprises to enter into a new contract beginning on 1 August—based on settlement in dollars. Trade transactions between the enterprises of the two countries are henceforth governed by the liberalized dollar export-import rules.

In simple terms this means that Ikarus may sell buses or additional spare parts to Cuba for dollars, if it is able to do so. And if some Hungarian firm wishes to purchase Cuban rum, this is also possible within the given framework, and payment would have to be made in foreign exchange.

Quite naturally, sanctions could hardly be applied to collect Havana's debts, therefore, based on information available in Hungary, Hungarian foreign trade continues to try to recover in some way the money owed.

According to information we received Hungary will provide no references or credit to Cuba in the future; it intends to stringently apply trade principles based on

free foreign exchange and on market conditions in the framework of these bilateral relations.

The situation is similar where other than commercial trade is concerned—i.e. tourism, and the conditions of paying and providing supplies for persons assigned for long-term stay abroad. In the middle of the summer the Soviet Union also cancelled the 1983 Prague agreement which governs this situation, and simultaneously the rest of the East European countries did the same. In practice this means that it is likely that beginning 1 January Hungarian tourists will have to say farewell to using forints in Cuba. This has taken place in practice already. Fellow Hungarians travelling to the island country in recent months already learned that the special means of payment issued to East European tourists, the so-called "Certificado-A" is useless by now. A majority of restaurants, hotels, taxi cabs, tourist shops and the Cuban airlines no longer honor this means of payment.

The Hungarian finance minister presented a written proposal on the future settlement of noncommercial trade: The present practice should remain in force until the end of this year, but beginning 1 January this trade also should be handled within the convertible sphere. At the same time, the Hungarian proposal does not rule out the possibility of exceptions. It is likely that in this regard an agreement will also be reached during the fourth quarter.

Nevertheless the situation is made more complicated by the fact that in Cuba there exist separate provider systems for the populace, for diplomats, and for tourists. To top it off, even within the latter system there are two methods of payment: payment in dollars, and the Certificado-A which applied also to us thus far. Under Certificado-A, however, the Cuban side allocates services into groups in a sovereign manner, thus it is possible that Hungarian delegates presently in Cuba will be forced to purchase basic items—periodically even drinking water—for foreign exchange, and the number of such items is increasing by the day. According to information we received, for this reason the Finance Ministry is leaning toward the requirement of settlement in dollars, without exceptions.

German AEG Electric in Joint Venture

90CH0262B Budapest MAGYAR NEMZET
in Hungarian 17 May 90 p 4

[Article by Weyer: "Setting Up the Multinational Firm Was Easy; AEG Returns to Hungary"]

[Text] Sixty-four years after it set up its first Budapest branch under the name AEG-Union, the German firm AEG now returns to Hungary. According to the multinational agreement signed yesterday, the AEG, the Electrical Station-Installing Enterprise [VAV] and Transelectro, Inc. will establish, no later than July 1, 1990, the new multinational firm AEG-Union in the town of Kunszentmiklos, with a founding capital of 10 million deutsche-marks.

The AEG is part of the largest West German enterprise, Daimler-Benz. According to plans, the multinational company now established in Hungary (whose capital is shared 49.3 percent by AEG, 45.07 percent by VAV and 5.63 percent by Transelectro), will manufacture medium-tension switches, instruments and equipment. AEG contributes capital and technological know-how, VAV the plant at Kunszentmiklos, and Transelectro its distribution network to the new joint enterprise. As it was stated at the press conference held on the occasion of signing the joint enterprise agreement, the products of the new firm will be sold primarily by AEG's commercial network in the West European countries, and by Transelectro in the East.

In response to questions, the founders stated that they have encountered no bureaucratic obstacle in the course of creating the joint enterprise. VAV takes the Kunszentmiklos plant into the firm at the value of 190 million forints, and they have already asked the National Property Agency to approve this amount. In view of the fact that they have asked two independent Western agencies to examine the plant's books, and both came up with similar figures, it is not expected that the Agency will torpedo the agreement.

AEG's spokesmen on the scene explained that, even though Hungary's economy is presently characterized by stagnation, they are convinced that with the introduction of market conditions a large-scale "economic upswing" will begin; after all, a great recession must be eliminated, and this will bring about an acceleration of economic activities. And since such acceleration goes hand in hand with investment projects, and specifically investments in the fields of electrical and energy technology, AEG (which makes most of its sales in these fields) looks forward to the development of its enterprise in Hungary with great expectations.

Summary of Foreign Loans, Support Received

90CH0333A Budapest MAGYAR HIRLAP
in Hungarian 4 Jul 90 p 8

[Article: "Credits and Subsidies in Hungary—The List Has Become Longer"]

[Text] Millions and billions of dollars are just flying about...! Almost every week, the media bring news to the world about a country or an international organization offering smaller or larger subsidies, or even credit, to East and Central European countries. The MAGYAR HIRLAP has tried once before to sum up, under the title "Credits and Subsidies in Hungary" (11 May 1990), foreign help then available. The circle has been extended since then, and now we try to offer another summary. However, we cannot guarantee this time either that our compilation will be complete, showing every single cent. Let us see, then, the details.

I. International Organizations

World Bank

Our credit agreements with the World Bank amount to \$300 million to \$350 million a year. This happens every year. Three loans have been authorized to date this year by the World Bank's management, namely, \$200 million for the comprehensive program of structural change, \$100 million for the program of integrated agricultural exports, and \$66 million for the modernization of our financial system.

IFC

Forty million Deutsche marks are at our disposal for financing small ventures. The Budapest Bank has the task of negotiating, but requirements will not be finalized until July.

European Community

—They provide credit to assist Hungary and Poland and to support investments. A ECU100-million credit is at Hungary's disposal for this purpose.

—The EC offered a loan in the amount of ECU870 million (equivalent to \$1 billion) for a five-year period, for the purpose of changing the economy and easing the transition. Subject to specific requirements, the loan may be taken out in three installments. These requirements are connected to Hungary's economic program and to the agreements with the International Monetary Fund and the World Bank. Authorization of Hungary's stand-by credit agreement by the IMF management was the requirement for withdrawing the first installment. When that happened, the loan agreement related to the first installment was signed. The agreement specified ECU350 million which we received in late April. We can withdraw the remaining installments in 1991-92.

European Coal and Steel Community

It provides a ECU200-million (\$230 million) credit, to be divided between Hungary and Poland, for financing investments that match—and are not contrary to—the production interests of Community members.

European Investment Bank

It provides loans to Hungary and Poland in the amount of ECU1 billion (\$1.1 billion). The credit originating from the EIB is expected to help finance energy, infrastructure, and major corporate development. The first areas, proposed by the EIB, are connected to the World Bank program, e.g., this source will be used for the initial financing of the development of telecommunications, energy management, and limited-access highway construction.

European Bank of Reconstruction and Development

This bank was founded, with a capital of ECU10 billion (\$11.4 billion), to finance developments in East Europe.

It will finance individual plans and financial subsidies, participate in programs of technical assistance, implement the East-European countries' concepts of privatization and, similar to other banks, will join companies with a minority share.

II. Pledges of Individual Countries

1. Extents of Credit

Federal Republic of Germany

—The HNB [Hungarian National Bank] signed a 250-million-Deutsche-mark agreement each with bank groups of Bavaria and Baden-Wurtemberg. Additional "credit faucets" may be turned on by Jozsef Antall's visit to the FRG. The possibility of an 800-million-Deutsche-mark credit with state guarantee also exists.

—As assistance for development, the Bundestag will put 10 million Deutsche marks in 1990, and an additional 45 million Deutsche marks in 1992-93 at the disposal of Hungary and Poland.

Finland

The HNB signed a \$100-million credit agreement with Finnish Export Credit Ltd. for financing capital goods and related services, and purchases of know-how originating from Finland.

Sweden

Svensk Export Kredit (SEK) and the HNB signed a document in March 1990, the Swedish export credit insurance company guaranteeing \$150 million for Hungary to finance imports of investment goods. In addition, SEK is also willing to provide unlimited medium and long-term credit for financing direct investments.

Norway

Offered 70 million Norwegian kroner (\$10 million) to Hungary and Poland for investment and development.

Denmark

A decision to create a foundation of 300 million Danish kroner (about \$43 million) has been made to assist Polish and Hungarian investments.

Italy

Offered a credit of 75 billion lire (about \$60 million).

Turkey

Offered a commercial credit of \$100 million.

Japan

—Japanese Export-Import Bank provides a credit of \$500 million. This credit may be used primarily for joint financing of activities connected with Japanese capital investments, for bolstering the use of active capital, and

for financing Japanese exports to Hungary. Some \$1 hundred million are expected to be available for us in 1990.

—At the Japanese prime minister's January visit, an agreement was signed that the Japanese State Institute of Credit Insurance will raise the credit for Hungarian imports from \$200 million to \$400 million.

2. Subsidies, Assistance

United States

—During his visit to Hungary, President Bush offered a \$25-million endowment for helping small ventures in the next five years. American authorities increased this amount in 1990 to \$60 million. Hungarian entrepreneurs may use \$five million until October of this year (Venture Fund).

—The U.S. Congress enacted a law, appropriating \$938 million for helping the reform process in Hungary and Poland. No decision on the apportioning of this sum has yet been made. According to preliminary calculations, Hungary can count on \$80 to \$90 million up to 1992 in ten different areas (venture fund, agricultural reform, manager training, cultural exchange, scientific and technological cooperation, financial support for democratic measures, environmental protection, scholarships).

—The Association of Private Entrepreneurs received a gift of \$60,000 from the International Center for Private Entrepreneurs of the U.S. Chamber of Commerce.

Great Britain

The British Government appropriated a so-called Hungarian Fund of £25 million (about \$40 million) for a five-year period. This fund is available as of April 1990 for scientific activity, education, and training.

Finland

Offered a gift of one to two million Finnish markkas (\$300,000 to \$400,000) for education and training in the next three to five years.

Belgium

Promised 390 million Belgian francs (\$10 million) for the support of the reform processes in Poland and Hungary.

Switzerland

The three-year government package plan includes 240 million Swiss francs (about \$150 million) for Hungary and Poland, for direct financial support, training of specialists, and environmental protection.

Netherlands

Offered government assistance of 3 million guilders (\$1.4 million) for education and manager training, mainly in the areas of agriculture and the food industry.

Austria

Will provide 20 million Austrian schillings (\$1.6 million) for manager training in Hungary and Poland.

Canada

Hungary and Poland will receive a total of 10 million Canadian dollars (\$8 million) for manager training and for financing studies of the feasibility of Hungarian ventures using Canadian capital.

Turkey

Will make an assistance gift of \$250,000

III. Investment Funds

First Hungarian Investment Fund—United States

Issued in the value of \$50 million, \$80 million—with a 60 percent over-subscription—is at our disposal for financing capital stock for joint companies, companies to be privatized, and bonds with fixed interest.

The First Hungarian Investment Consulting Ltd., an off-shore [as published] operation in Budapest, will handle capital distribution.

Emerging East European (E3) Fund

Is being jointly organized by Tyndall Holding Group and Warburg Securities for investments in East Europe. Part of its \$20-million capital would be available for credit and stock exchange transactions.

De Benedetti Group

This investment group set up a fund with a capital of \$10 million for investments in Hungary.

Hungarian Investment Association

Was founded at the London stock exchange, organized by Kleinworth Benson Investment Bank, managed by the firm John Govett, issued in the value of \$100 million. Eighty percent of its capital will be invested in Hungarian business transactions, the remaining 20 percent will be invested in Western firms that have business relations with Hungary and provide high technology.

CA (Austrian) Fund

Was organized by the CA in the value of about \$50 million, with the participation of five or six West European banks and the subsequent participation of other investment institutions.

Lloyds Austria-Hungarian Fund

Is being organized in the value of \$100 million. First it will invest in Austria where there are more favorable investment opportunities, and then will transfer its resources to Hungary when opportunities for security investments increase.

Nomura Japanese Fund

Negotiations on an investment fund of \$50 million to \$100 million have been going on for quite a while with Nomura, Japan's biggest stockbroker and investment bank. In view of the present stage of negotiations, the fund is not expected to be set up in the near future.

Individual Income Analyzed: 1990 Projections

90CH0322A Budapest FIGYELO in Hungarian
14 Jun 90 p 6

[Article by Mrs. Sandor Szabo: "Projected Income Levels for the Population"]

[Text] According to calculations, the standard of living and income for individuals will be stagnant in 1990 in the best of circumstances. This year, structure and ownership changes have not yet occurred sufficient in scope to modify income levels for individuals or segments of the population taken as a whole. This is what emerges from a forecast by the Economic Research Institute.

In 1990 the consumer price index will be higher than last year and what had earlier been predicted for this year, and may increase more than 25 percent. For income as a whole, earnings from primary jobs will in all likelihood also increase at the same rate as the price index compared to last year. To a great extent, this will have a negative effect on the wage measures already taken that affect education and health workers, measures which, when taken alone, were substantial.

In the social services sector, the set-off measures approved up to now will—individually, on average—counterbalance price increases of approximately 17 percent. (However, expenses for social outlays are increasing by a total of approximately 23 percent because of the growth in the eligible population and, in the case of retirees, because of so-called continuous replacement.) Depending on price trends, a further increase in expenditures for social services seems justified, probably during the second half of the year.

The Big Loser

Much discussion has already taken place in the columns of FIGYELO about the dangers of self-fueling inflation and the uncertainties of price-increase forecasts in an international context. Evaluations by the experts—although varying in their tone and approach—argue that, on the one hand, in an economy on the threshold of crisis (or in one that has survived the crisis), large-scale inflation is unavoidable, and, on the other hand, that the emergence of uncontrollable inflation that feeds upon itself must be countered very vigorously. Not much more can be added to this.

The big loser from inflation is, without a doubt, the individual citizen, if only because inflation is rooted in lack of income. Consequently those receiving social services may only be able to obtain partial compensation and far from the full range of what they have coming. (Of

these services, aid for those who are less well off, of course, may come to predominate, relatively speaking, namely the "local" social outlays which can be regulated better for the benefit of the neediest classes and groups, but this does not affect the overall trend.)

Inflation makes the individual a loser, however, not just directly in his income, but also subsequently, in a way not immediately felt. High (long-term) inflation also makes social systems and institutions (health, education, and social infrastructure) inoperable. For this reason inflation is one of, or perhaps, the most critical item in the current year (and in subsequent ones)—and for all the "players."

Many factors point to an increased differentiation in individual income levels in 1990. The chief reason for this is outlays from earnings, which show great variation depending on the state of the business enterprises. (Last year these ran between five and 25 percent; this year an even greater range can be counted on.) But another reason is that as the number and importance of ventures (individual and partnership) increase, differentiation "traditionally" becomes greater. As a result of the modifications made in the personal income tax system, tax rates moderated and tax brackets became broader (decreased in number). The changes improved general income positions for all taxpayers, although more favorably for those with higher incomes.

The calculation shown in the chart is based on an overall earnings increase of approximately 45 percent projected over two years and assumes—for the sake of easy review—an increase in gross earnings at the same rate for the various earnings levels. The differing resultant increases for net earnings in the chart reflect the effect of the modifications made in the tax system. (The calculation also takes into consideration employee bonus systems. Without them the net increases would each have been smaller, but the trend revealed by comparing the categories of income remains the same.)

Projected Income Differentiation

Gross earnings in 1988 (in forints)	Gross earnings increase 1990/1988 (percent) ¹	Net earnings increase		
		1989/88	1990/89	1990/88
67,000	145	116.9	122	143
108,000	145	116.5	121	140
300,000	145	119.0	128	152
500,000	145	121.0	130	154

¹Increase in 1989 17 percent, in 1990 approximately 25 percent.

The presence of unemployment further heightens differences in income. (At the end of last year 8,000 persons were registered as unemployed and receiving assistance, and approximately 50,000 can be projected for this year—given mid-year fluctuations.) The existence of

assets, investments, and access to legal (illegal) foreign currency also increase differentiation.

Characterizations based on the selection of this year or that one are inherently difficult. The way individuals conduct their lives, their methods of thinking, their reactions, and not least, changes in circumstances cannot be neatly divided into calendar years.

Behaviors

Individuals react and adapt quickly to impoverished conditions. Examples of this in past years include the significant increase in purchases made abroad, credit repayments at the end of each year, the intensification of the autarchy, the immediate increase in purchases made by producers (for example, of meat), and the spread of canning and stockpiling at home. The change in the inner structure of individuals' savings shows that those who can, set aside reserves, and avoid taking risks. They seek the types of savings that can readily be mobilized if needed and have comparatively favorable rates of interest (returns).

In recent years individuals have been (and are being) affected by significant changes that call for a different way of thinking and readying oneself (as well). Even the income tax system is an example of this. So too are unemployment, fluid and abnormal prices, and the change in the price mechanism, in addition to a rising inflation which is tightly linked to the economic crisis. Reform of the health system, development and restructuring of local government, or the changes in property ownership which face us in the future (some have already begun to some extent) will bring a very significant change.

But today it is already clear to everyone that the next few years will be quite difficult. But the experiences of recent years will serve to help point out the dangerous stumbling blocks. And by taking prudent yet rapid steps, this will enable us to keep to a minimum the impoverishment of the general population to the greatest extent possible.

Industry Minister on Enterprise Council Elections, Structure

25000782A Budapest NEPSZABADSAG in Hungarian
17 Aug 90 p 6

[Article by Judit Kozma: "The Industry Minister Speaks: Management Will Not Be Decapitated"]

[Text] Let us hear the other side. Many critical comments were made in regard to a determination according to which enterprise councils and directors must be elected anew by 15 September. An interview with economist Erzsebet Szalai published in our Wednesday issue is one of these. Industry and Commerce Minister Peter Akos Bod reacted to the interview, claiming that he is the most concerned person in the cabinet in this regard, because most enterprises directed by enterprise councils are under his ministry's jurisdiction.

On Structure

"The cabinet puts itself in the place of the Kadar structure, the title of the article says, and I would like to argue this point already," Bod says. "Erzsebet Szalai was the one who revealed that the large enterprise structure was in the process of falling apart. The previous large enterprise lobby was so strong because a state administrative organization and a forceful redistribution of income was built on it. As a result of reduced redistribution, lending practices more similar to banking practices, prices closer to market prices, and liberalization, and in response to increasing external pressure, the economic structure has changed, and the large enterprise position of strength is beginning to fall apart. Thus, if the cabinet would really want to find a place for itself in the old structure—even though it has no intention of doing so—it simply could not do so. It would not be able to occupy a position like the one that was occupied by the state party."

On Privatization

"On the other hand, I agree with Szalai: We should continue to decentralize more forcefully, and this would resolve quite a few things by itself. This could help realize the virtually revolutionary concept of the previous government, according to which those who wish to leave the large enterprise structure could do so under certain conditions. Most likely the courts, and not the ministry would have to render a decision in this regard in the long term. To accomplish this, however, the law we inherited would have to be changed. The present solution also has its own logic of course, because the state administration is the owner and it is responsible for its own property. Aside from that, neither are the courts prepared to review this matter. In any event, decentralization must continue, in the framework of the cabinet's privatization and organizational development concept. The latter is of particular importance because one must keep in mind not only the enterprises to be placed in private hands. One must also consider in what organizational form the enterprises which continue to remain under the ownership of the state should operate."

On Newly Elected Enterprise Councils

"We should have stated this: Dozens of reports were received by the ministers and the cabinet claiming that not everything was all right with the elections administered according to earlier customs. Had we left this matter to the respective courts of registry which oversee these enterprises from a legal standpoint, the matter would have taken many long months, keeping these enterprises under uncertain conditions. For this reason it appeared as more appropriate to decide on holding new elections. I agree with the idea that workers at large enterprises are not always able to form realistic opinion about [their] leaders, this was proven in the framework of the Yugoslavian model. Compared to that, the hybrid we established, i.e. that workers' representatives, management people and a representative from the state

administration are seated in enterprise councils, is still the better solution. Insofar as time is concerned: I believe that there will be much more room after the local elections for the cleanup actions mentioned by many, than this way. In any event, the method is not suited for use in cleanup operations: As a result of the composition of enterprise councils a director may be "fired" only if at least half the workers and half of management regards him unsuited. Along with this it would be more appropriate to establish a clear situation as soon as possible, so that the head of an enterprise endorsed in this fashion be able to prepare on time for next year."

On Decentralization

"The state administration delegates an expert who casts a single vote in the enterprise council. His view is one of several views. He represents the views of the owner, but this, in my opinion, cannot be regarded as centralization."

On Political Motives

"Indeed, politics do filter down in the elections, but I believe there will be no time period this year which could be regarded as an off-season in politics. I also dispute the claim that selections are based on political considerations. Perhaps risks would be lower if only market considerations would prevail. After all, there is truth to the belief of many that there does not yet exist a fully evolved market; the market does not exert its effects. But a constraint to make decisions has evolved, notably the fact that based on an earlier law enterprise councils had to be elected anew, and one cannot wait until the market makes its selection choices. It is equally true of course, that there are political considerations. Namely, if a leader, who must implement strategic decisions, is unable to obtain the support of people, that leader is likely to be doomed to failure irrespective of how good an expert professional he is."

On New Elections of Directors

"We received indications according to which workers are not satisfied even with their own representatives. In many places they are dissatisfied not with the director, but precisely with the enterprise council members they elected. Also this indicated that new elections are warranted. I believe that by now it would be impossible to organize an election based on a buddy-buddy system as that happened in many places in 1985. In my judgment, management will not be decapitated, but I believe that a smaller part of the directors will be relieved of their duties. And this new election may serve well those who stay, because in this way they may regard themselves as the legitimate leaders."

Banks Without Cash: Soon To Be Privatized

90CH0324A Budapest FIGYELO in Hungarian
14 Jun 90 p 13

[Article by Oszkar Hegedus: "Banks Without Cash"]

[Text] The establishment of the new banking system three years ago took place amidst a sense of euphoria. Today, however, the young banking system has become the butt of scorn and criticism by many, who blame it for the country's economic problems. Responding to the criticism below is the president and general manager of the Budapest Bank.

Many say that our banking system is disorganized, plagued by internal chaos and the inability to manage its liquidity. Perhaps the best way to respond to this criticism is by citing the example of the Budapest Bank. In order to give a fair assessment of the existing banking system, we need first to recall the primitive technical conditions under which it was forced to begin to operate, its underdeveloped branch network, and the fact that it had inherited some serious burdens from the National Bank in the form of outstanding debts.

The first step was to put our house in order, which our bank was able to do very quickly. The second task was to establish the quantitative and qualitative basis of a branch network. While in early 1989, we still only had 19 deposit branches, by the end of 1990, their number is expected to reach 50, and we will have a local branch in every county in the country. We have established a uniform and independently operating branch network, and the only thing the central office of the Budapest Bank has control over today is the maintenance of the network's liquidity. We have given our branch managers broad decisionmaking powers, and only the largest accounts are handled by the central office.

With assistance from the British consulting firm Price Waterhouse, we have prepared a medium and long-term concept for the modernization of our bank. To help implement the plan, the World Bank has extended 10 million dollars in credit which will enable our bank to establish its own computerized account management center.

We have set up the CA-BB brokerage firm, an Austrian-Hungarian bank, the CA-BB Ltd., and the Realbank which is owned by the Budapest Bank.

We are keenly aware that the Budapest Bank is still not a financial institution that perfectly reflects the Western model. We are, however, consistently moving in this direction, and the next important milestone toward that goal will be the soon to commence privatization of the bank.

Money-Hungry Firms

In connection with its liquidation processes, the banks have been subjected to two different charges: some claim that because of our closely intertwined profit interests we are overly patient in dealing with delinquent enterprises of questionable efficiency; but we also hear the opposite, namely that by being impatient the banks hinder the recovery of financially struggling enterprises.

Without liquidations—in our opinion—there can be no restructuring, or to put it more precisely, restructuring is a one-sided process. It is not enough to make profitable investments, if the economy continues to have to drag along deficit-producing and money-hungry enterprises that need to rely on subsidies.

It is in the banks' interest to write off delinquent loans from their reserve funds as soon as possible, for they hinder our ability to become successful and accepted members of the international banking community. And we are also working hard to better establish ourselves in international banking relations. So from this point of view the impatience for which we have been criticized is perhaps justified.

We are unable to fully realize these goals because we lack the necessary available reserves. At the time they were established, the banks did not have a single penny in reserve, and the Ministry of Finance did everything it could to prevent us from replenishing our central reserves. In 1987 and 1988, we were allowed to put 20 and 30 percent, respectively, of our after tax profits into reserve; in 1989, that ratio was zero percent. We were, nevertheless, able to set aside a small percentage of our taxed earnings as reserve capital after dividing up the profits.

We cannot accept the often voiced argument that the reason why the banks are reluctant to initiate liquidation proceedings is because they have come to rely on the interest penalties collected on frozen accounts in their quest for huge profits. (Just to put the record straight I would like to point out that in the course of liquidating the coal mines, the Budapest Bank chose not to collect interest penalties because it did not want to exacerbate the losses that had already been incurred.)

It is worth reviewing how the Budapest Bank's business revenues have been divided over the past three years. Sixty percent of our earnings go to the central bank in the form of interest and commission; our tax and dividend payments paid directly to the state have helped to boost state revenues. So in three years, the Budapest Bank has only been able to set aside 3.5 billion forints in capital and risk reserves, which—on the annual average—barely amounts to 10 percent of its total business earnings.

The proper attitude on the part of the state would have been to make it possible for the new banks during the first five years of their operation, to build up some necessary reserves from their profits before taxes to cover the amount of bad debts they had inherited.

Shadow Credits

The phenomenon of waiting in line is to a great extent due to acute structural problems in the Hungarian economy. The problems are deeply rooted in the past, and are closely connected with the "unhealthy" working-capital economy.

The unhealthy financial processes that have evolved—such as having to wait in line—have been gravely aggravated by the imposition of ill-considered and overly harsh monetary restrictions without taking into account certain interrelationships.

We do not question the necessity of rational restrictions; at the same time, however, we also feel that we must also establish a system of conditions that will prevent a "shadow credit system" from emerging side by side with the real one, causing resources to "move" from one, i.e., the real system, to the other, i.e., the "shadow credit system" in response to the long waiting lines, and for all intents and purposes making just as many "resources" available to the enterprises as before.

Those who regulate the money supply ought to know that at a given rate of currency turnover, a corresponding amount of money is needed to carry on trade. The money currently available in the Hungarian economy is not sufficient for that purpose! Hence we must move without delay to adopt regulations in order to ensure that if an enterprise is unable to make payment to its suppliers, it should not be allowed to receive further shipments without consequences.

At the same time, we should pump sizable financial resources back into the real credit sphere, which by normalizing payments would quickly reduce the waiting period for the enterprises, and would enable the economy to rid itself of unnecessary credit.

It is in the subsequently evolved system that we ought to implement strict financial regulations, and to take a stand against delinquent debtors who now themselves will be the "vectors of germs." I firmly believe that only privatization can completely eliminate and provide a solution to this complex problem.

Distribution of Resources

Little is being said about the methods employed to regulate the money supply, yet they are the sources of endless tensions. Particularly worth examining is the central bank's three-year refinancing program. Here the reform of the banking system still has not taken a foothold as evidenced by the continuing disbursement of the central bank's rapidly shrinking resources.

The banks need refinancing since from the moment they are formed, their "natural" resources are systematically taken away from them by the central bank (i.e., in the form of amortization payments on investment loans, free deposits of import collateral with the central bank, large mandatory reserve requirements and maintaining a monopoly over the deposits of central budgetary organs),

which uses these funds to extend short and long-term, refinancing loans to the banks to make up for other nonavailable resources. These supplemental funds, however—not counting the first year after a bank is formed—are not disbursed to the banks according to normative, in other words, predictable principles, but rather by other means.

The way they have been able to "achieve" nonnormative distribution has been by reinventing the concept of ribboned credit sources. This kind of disbursement has, in part, been due to the restricted money supply, which for the most part has eliminated the interbank money market.

In the area of medium and long-term credits, too, the only funds available are ribboned sources, yet we continue to talk about the need for monetary regulations. Perhaps the public does not realize that partly because of inflation, and partly because of regulatory mistakes, commercial banks cannot tap their own potentials to generate investment or working-fund advancement resources. Hence we cannot, on our own, extend such credits to efficient and deserving enterprises. Commercial banks are not allowed to generate medium and long-term resources, while the central bank has financed a billion-forint enterprise fund, thus taking additional sources away from the commercial banks.

We must either establish a lucid, clearly organized system for the financing of commercial banks that is open to scrutiny by all participating members, or put an end to refinancing altogether. This is also possible. We need to eliminate the present volume of reserve accumulation by the central bank. If the banking transactions of the populace, and hard currency transactions in general expand owing to the banks' preparedness, then from the point of view of obtaining resources the banks must be allowed to come of age. At the same time, central bank disbursements must be eliminated in order to make it possible to obtain resources for long-term investments on the money market, without any redistribution on the part of the central bank.

POLAND

PEWEX Director Refutes Monopoly Label; Explains Price Swings

90EP0804A Warsaw *RZECZPOSPOLITA (ECONOMY AND LAW supplement)* in Polish 12 Jul 90 p 3

[Article by Anna Sielanko: "PEWEX Expands the Chain of Shops and Selection"]

[Text] A considerable increase in prices for many goods introduced in July of this year along with the beginning of simultaneous sales for dollars and zlotys have combined to cause a greater interest in the PEWEX [Internal Trade Enterprise] recently. Why is the company jacking up the prices so high while taking advantage of its position as a monopoly? Is it not afraid of losing some of

its potential clients and even going bankrupt? What is the enterprise planning to do in order to attain the volume of sales planned?

Director Slawomir Pocztarski, chief of the largest PEWEX branch which has outlets in 12 voivodships, including the capital city voivodship, explains: "These questions are based on many misunderstandings. We are a major player, but not a monopoly; this is quite different. More than 500 companies have been granted concessions for so-called 'internal exports.' PEWEX is one of them. However, it is a fact that our company accounts for 70 percent of sales in this trade (about \$1 billion this year). In turn, the recent price increases are due to an increase of the revenue tax based on purchase prices plus customs dues. The rates of the revenue tax, which differ based on the type of merchandise, are set by the Ministry of Finance. The highest tax applies to alcohol, including beer, cigarettes, and cosmetics; it is lower for radio and TV equipment and clothes. Goods for children, nutrients, some foodstuffs and drugs are tax exempt."

In PEWEX, they do not conceal the fact that sales have declined considerably, in some cases by as much as a factor of four, in the groups in which the greatest increases have occurred. However, the traffic in most shops is still great. For example, radio and TV equipment is still cheaper in PEWEX than in the West. The people are buying merchandise for children, foodstuffs, and nutrients, frequently for zlotys.

Director Pocztarski also informed us that PEWEX will change the structure of sales gradually, giving up, for example, expensive alcoholic beverages or cosmetics in favor of merchandise for children, foodstuffs, and, in general, less expensive goods, so that it would still make sense to make purchases at PEWEX rather than in Western countries. For example, inexpensive wine has been ordered, but it takes time for it to get to the shops.

As they assured us, the company is not interested in jacking up prices, but is rather looking for an opportunity to reduce costs, "abandon" markups, and retain profits through greater sales. Therefore, cheaper forms of trade are being introduced. The Warsaw branch is developing rapidly a chain of private shops, i.e., those belonging to merchants who receive their goods from PEWEX; a commission on sales provides their remuneration. As many as 10 such outlets have already been opened (the last one in Ochota, on 8 Ustrzycka Street). Another 50 will be added soon; there are many requests from the owners of premises who wish to start such operations.

The chain of PEWEX's own shops is also growing. Recently, an outlet operating around the clock was opened in the Kormoran Hotel in Olsztyn. Stands are being set up in restaurants and retail outlets (among others, at Megasam in Ursynow); new branches are being placed in remodeled premises, for example, [at] a food stand in the shop at 2 Fabryczna Street in the capital city.

Several pharmacies will be added soon, the first one being in Warsaw at Belgradzka Street. It is planned to change the system of sales in the [company's] own shops; the workforce will be paid by "net" commissions based on sales rather than receive wages. For starters, the capital city branch is going to purchase six Mercedes bar buses which will be made available to merchants on the basis of leasing. These are going to be mobile sales outlets offering services at various events, recreation centers, and so on.

Zloty-denominated sales (at present, one dollar converts into 9,600 zlotys) also gained clientele for PEWEX. For the time being, these sales proceed along with dollar-denominated sales. However, in January this company will switch to Polish currency, along with the entire so-called internal export trade. Nonetheless, for now this entails certain difficulties because the banks are not prepared to receive such considerable amounts of cash. However, the situation is to be normalized from August on as a result of the joint actions undertaken. At present, PEWEX operates just like any commercial enterprise. It has the same rights as, for example, the WPHW [Voivodship Domestic Trade Enterprise], Centrum or Moda Polska. Therefore, it will certainly be privatized in the future along with others, and will be transformed into a company.

Bank Sector Restructuring, Resources Examined

90EP0804B Warsaw RZECZPOSPOLITA (ECONOMY AND LAW supplement) in Polish 3 Jul 90 p 2

[Article by Krzysztof Bien: "Polish Banks Drawing Closer to the World"]

[Text] Work on restructuring the banking sector in our country began as long ago as three years. Let us recall that in 1988 the NBP [Polish National Bank] spun off nine commercial state banks.

The amendment of the banking law has made it possible to speed up changes in the banking sector. New opportunities are being taken advantage of. In the last six months, a total of 27 permits to start banks have been issued. Seven new banks have already begun operations. However, this is still a drop in the sea of needs. Excluding cooperative banks, we have a total of 45 banks, out of which 26 are doing business and 19 are at an organizational stage.

The NBP already has quite specific plans for the development of the banking sector in our country. However, we will outline briefly the status of banking before dwelling on this plan. This is how the potential of the banking sector in our country looks. The statistics are given after the NBP.

Bank	Funds available (in billion zlotys)	
	As of 31 Dec 1989	As of 31 Mar 1990
NBP	48,022.9	67,125.5
Commercial Bank Ltd. Warsaw	252,250.8	407,277.9
PKO [General Savings] Bank Ltd. Warsaw	28,935.0	44,387.7
PKO State Bank Ltd.	12,292.7	15,410.2
Food Economy Bank	10,344.0	12,554.4
State Credit Bank Warsaw	4,460.1	7,279.1
Silesian Bank in Katowice	4,977.7	7,055.3
Industry and Commerce Bank in Krakow	3,254.7	4,833.4
Cooperative banks (combined)	3,517.8	4,721.7
Gdansk Bank in Gdansk	3,389.6	4,561.1
General Economic Bank in Lodz	2,984.2	4,352.7
Western Bank in Wroclaw	2,711.1	3,893.7
Pomeranian Credit Bank in Szczecin	2,473.2	3,810.6
Great Poland Credit Bank in Poznan	2,644.4	3,727.0
Export Promotion Bank in Warsaw	2,791.9	3,689.8
Savings and Credit Bank in Lublin	2,537.0	3,669.5
Lodz Development Bank Ltd.	143.0	320.2
Domestic Economy Bank in Warsaw	14.1	217.5
Bank of Economic Initiatives BIG Ltd., Warsaw	55.5	198.6
Lodzkojczy Communal Bank Ltd.	18.9	95.5
Bank of Agricultural Development Ltd. in Poznan	—	4.1
Agrobank Bank Ltd. in Warsaw	—	1.3
Bank for the Development of Crafts, Trade, and Market Industry Ltd. in Poznan	0.6	0.6

In addition, several foreign banks have their representative offices in our country. Several banks are setting them up, including the Mitteleuropäische Handelsbank AG from Frankfurt am Main and the Privatbanken A/S from Copenhagen. Citybank N.A. from New York has also secured a permit to open its representative office recently.

New Polish banks are also being set up. Within the last six weeks, the following have secured permits: the Private Commercial Bank Leonard Limited in Zielonka near Warsaw; the Bank of Socioeconomic Initiatives Limited in Warsaw; the Krakow Housing Bank Interkrakbank Limited in Krakow; the Glogow Economic Bank Limited; the Gliwice Commercial Bank; and the Bank for the Development of Housing Construction Limited in Warsaw.

The overall model of the banking sector prepared by the NBP calls for a universal bank operating as a joint-stock company to be the basic type of a financial institution which is not restricted in providing services or in its freedom of operation in the money and capital markets.

Every word used has a precise meaning. The word "bank" means that a financial institution may accept deposits and provide loans (the same is the case in, for example, Great Britain). It is envisaged that most of the shares of the banks will be held by shareholders independent of the State Treasury. These may be private owners of capital, territorial self-governments, and commercialized state enterprises.

The word "universal" means that the bank has a license to perform all operations; for example, it may finance investment projects. Finally, the word "unlimited" means that the bank will not be subject to limitations other than those resulting from the principles of a prudent economy.

The NBP expects other financial institutions—foundations, investment companies, brokerage companies, and insurance agencies—to operate in the money and capital markets along with banks. The NBP reserves for itself the supervision of the operation of the money market. NBP activities would be subordinated to the constitutional duty of defending the value and stability of the zloty. In turn, in keeping with this concept, the capital market will be overseen by the Securities Commission.

The NBP considers the creation of the money market to be the most urgent task. Short-term bank deposits at the NBP, the rate of interest on which is set by way of auctions, are the first element of such a market; they were introduced in the first quarter of this year. The

periodic emission of NBP notes, likewise sold at auctions which are open for all interested parties, would be the second step.

Profound restrictions on the extent and automatic nature of NBP refinancing loans will be the third step. Banks which want to augment their funds will have to look for them in other banks rather than in the NBP. The fourth step will involve the introduction of the Settlement Chamber and stricter mandatory reserve requirements which will create the demand for very short-term loans. Finally, the opening of the interbank market to other operators will be the fifth step. Treasury notes will be introduced, and a secondary market for them will be organized. Conditions will be created for the introduction of certificates of deposit, bank acceptances, and private unsecured promissory notes.

After these central actions which should be completed at the beginning of 1991, further development will depend on how imaginative and active the banks are. As the NBP predicts, this development is likely to be very vigorous, as in other countries.

At the same time, we should expect our entire banking system to be restructured. Fact-finding surveys of our banks covering their assets and liabilities, decision-making procedures, methods of risk evaluation, and management systems will be carried out as early as this year with the assistance of foreign companies. The results of these surveys will reveal the actual financial situation of the banks and will indicate the cases when splitting or closures are necessary.

The restructuring will also involve changes in defining the role of the NBP. Among other things, at issue is the separation of the function of shaping the monetary policy from the current management of the NBP, the abandonment of commercial operations by the NBP (they would be taken over by a separate bank), and changes in banking services to the central budget.

Improvements in banking services and the development of competition among banks are further necessary actions; they are the most important ones from the point of view of the clients of banks. For example, an interbank team will be set up which will review all regulations on services to the clients. Many of them need to be amended or eliminated. We may also count on the simplification of bank forms and documents. The NBP also promises the introduction of personal currency checks and of the obligation of individual banks to honor the checks held.

The development of banking information processing, in the absence of which the modernization of the banking system in our country appears to be altogether impossible, is a separate chapter. However, this topic is so significant and striking that, perhaps, it merits a separate publication.

GERMAN DEMOCRATIC REPUBLIC

Agreement on Retirement Benefit Payment Criticized

90GE0268A East Berlin TRIBUNE in German
15 Aug 90 p 5

[Article by Herbert Pueschel, General Administration of Social Security: "Social Subsidy Instead of Social Assistance: Questions on the Alignment of Existing Pensions With the FRG Pension System"]

[Text] What was the intent and goal of the pension adjustment as of 1 July 1990?

With the currency union, retirement pay also had to be converted to D-marks. At the same time it was a matter of taking a first step toward adjustment to the retirement regulations [and] to the net retirement pay level in the FRG. Naturally, this had to be based on the average net wages earned in the GDR. It was set at 960 marks.

The goal of pension adjustment consisted in securing 70 percent of this amount, which equals DM672.00, for a retiree and average wage earner who had worked for 45 years. Here it should be taken into account that pensions in the FRG are based in principle on contributions paid in. Computation of the retirement benefit payment is also based on income and the period of time for which contributions were paid into the social security fund.

In the GDR, contributions were paid only for earned income up to 600 marks, and beyond that, if applicable, to the FZR [Voluntary Supplementary Pension Insurance]. Hence this contribution limit of 600 marks and affiliation with the FZR had to be taken into account in the pension adjustment.

Since the FZR was only introduced in 1971, total retirement payments (obligatory and voluntary insurance) varied in amount, depending on the year when the retirement pay started.

In order to achieve the aforementioned goal (DM676.00 with 45 years of work), different adjustment rates had to be applied to the pension adjustment. It also had to be taken into account that pensioners who have been receiving retirement pay since before 1971 were not able to join the FZR. Therefore they receive the highest upward adjustment rate so that they, too, can receive the target sum, DM672, after having worked for 45 years.

The upward adjustment rates can be seen in the appendix to the law on pension adjustment. Thus the pension adjustment did not raise retirement payments for retirees with relatively few working years.

Minimum Income Safeguarded

On the basis of low earnings and few working years, application of the principles of this adjustment law does not provide higher retirement pay for many pensioners (several hundred thousands). Hence it had to be decided

how a raise—a minimum income—can be secured for these pensioners, also. Since social security in principle pays only retirement benefits based on contributions, in this case application for social assistance would have become necessary. In contrast to the FRG, we managed to initially avoid these pensioners having to file a special application for social assistance, and to find a simple solution through this social subsidy.

But it must be noted that this does not constitute a minimum pension, but rather a minimum income which is being secured for these retirees.

The social subsidy is repaid to social security out of the national budget. It had to be postulated, however, that for this minimum income (DM495.00) all of the retirement benefit payments received by a male or female pensioner must be taken into account. Nonetheless, over DM500 million must be earmarked for that alone.

That means, for instance: A woman retiree, with few years of employment, received 350.00 marks in old-age pension (which was not raised), and 55.00 marks widow's pension. After the adjustment she receives:

Old-age pension (the present pension could not be raised)	DM350.00
Widow's pension (new minimum amount)	DM90.00
Social subsidy (to make up difference to DM495.00)	DM55.00
Total	DM495.00

But here, also, the amount paid out rose by DM90.00.

It would certainly have been desirable to raise the pension itself to DM495.00—as was often expected—and to pay the reduced widow's pension in addition. But those responsible for the financing and stability of retirement payments unfortunately could not make this decision. In this context it should be noted that this pension adjustment requires additional funds of an annual amount of DM5 billion.

On the Retirement Payment Notice

There are critical remarks by retirees on the retirement payment notice. First of all, it must be stated here that a pension adjustment had to be made in a very short time by the social security carriers for over 3 million pensions—concomitantly with the issuance of the pension adjustment law. This was possible only through enormous efforts and with the help of the social security carriers of the FRG.

It had to be decided whether this should be done already as of 1 July 1990, or perhaps at a later date (1 August 1990, for example). It was the intent of the government and the social security to carry out the pension adjustment as soon as the currency union came into force.

With a little more time available, the retirement payment notice could certainly have been made even more clearcut.

We are nevertheless of the opinion that this notice contains all necessary data and is comprehensible to the overwhelming majority of the retirees.

The notice contains no statement on benefits paid out in addition to the pensions paid by social security. These benefits continue to be paid in their present amount by other organs, as a rule by the State Insurance, now DVAG [expansion uncertain, probably Deutsche Versicherungs-AG].

Since the pension adjustment law stipulates that those pensions, in addition to which supplementary benefit payments are made, are not to be raised, this was not done. It is possible in individual cases that a relatively small SV (social security) pension is being paid and a small additional benefit payment is received, and that both payments do not amount to DM495.00. In such cases, Article 18 of the pension adjustment law stipulates that the social subsidy is granted upon application (to the respective SV office).

In this context, there are inquiries as to why the notice contains the following paragraph: "If, in addition to your adjusted social security pension, you also receive other benefit payments, payment of an additional amount is made with reservation."

It must be mentioned in this context—as already explained previously—that pensions are not to be raised by social security if additional benefits are being received. But the precondition for this is that the social security is aware of who receives such additional benefit payments. In most cases, the social security has that information; the pensions are marked accordingly and hence were not raised. But there are, or can be, individual cases where the social security is not aware of additional benefits paid by some other insurance carrier. Here, contrary to the law, the social security pension was raised. The reservation clause was added for these, probably very few, cases.

On the Computation of Pensions

How are pension computations handled for pensions to be fixed after 30 June 1990?

For all insured persons who retire after 30 June 1990, the pensions at first continue to be established according to the present GDR pension law. Hence these retirement payments—as those fixed before 1 July 1990—are raised according to the upward adjustment rates established for existing pensions (including the new year of 1990). This means simultaneously that the FZR claims acquired up to 30 June 1990 remain in force and that the contribution payments, raised since 1 July 1990, are taken into account in computing the SV obligatory retirement payment and establishing the amount of the retirement payment.

The pension adjustment law was a first step toward adjusting the GDR pension law to the FRG pension law, which is based on the principle of wages and contribution payments. Of course, problems and wishes remain open. Further gradual adjustment will be necessary. An adjustment (index-linking) of pensions, dependent on economic and wage developments, is initially planned at regular intervals. The time and amount will have to be established by legislation at the proper time.

There were also inquiries by old-age and disabled pensioners who are still working as to whether they have to pay contributions to the pension insurance. Here Article 19, paragraph 2 of the Social Security Law (SVG) applies, together with Article 40, paragraph 8 (SVG).

Accordingly, the working pensioner does not contribute; the employer pays that share of the contribution which he would have to pay in the case of obligatory insurance.

Unemployment Trend, Alternative Employment Sectors Assessed

90GE0260A East Berlin

ARBEITSWISSENSCHAFTEN in German Jun 90
pp 191-197

[Article by Dr. Klaus Grehn, chairman of management committee, Federation of the Unemployed: "Unemployment in the GDR"—first two paragraphs are an ARBEITSWISSENSCHAFTEN introduction]

[Text] The establishment of the GDR Federation of the Unemployed provided the first organization for the self-help efforts of unemployed people. It was preceded by an appeal asking for an analysis of workers threatened with the loss of their jobs and those already unemployed. The initiator of this appeal was Dr. Klaus Grehn, now chairman of the organization's managing committee.

ARBEITSWISSENSCHAFTEN asked Dr. Grehn for a report. This was based on 450 letters received from people affected, as well as a supplementary questionnaire returned by 150 of them. Neither the source nor the evaluation of the data is claimed to be either representative or statistically certain. However, we are of the opinion that the developments to be expected justify the publication of the following article, and the commitment of the social scientists working with Dr. Grehn certainly commands our support.

Unemployment in the GDR, its extent and the speed of its expansion emphasize the challenge to the work of various scholarly disciplines—in particular labor and social sciences. As recently as a year ago, nobody disputed the doctrine that socialism itself guarantees full employment. Daily life appeared to confirm this doctrine: There was no—or at least no visible—unemployment. The creation of an appropriate social network was therefore not even to be considered. Now a quickly installed early retirement regulation and the

"Decree on Granting State Support and Enterprise Compensation Payments to Citizens During the Period of Job Placement" (unemployment compensation—author's note) have put into effect two measures for the social amelioration of unemployment.¹ I cannot in this article deal with the evident gaps in these regulations. Instead I will describe the origin of unemployment, the key areas of release, the structure of the unemployed, their current situation and their claims to new jobs.

1. The Origin and Course of Unemployment—Key Areas of Release

Studies of the release and redeployment of manpower within the framework of the so-called Schwedt initiative demonstrated that, despite the officially reported release and redeployment of workers in the past, significant shortages existed in the labor force of the GDR economy. We might therefore have expected the massive emigration of 1989/1990 to radically exacerbate the manpower situation. Nothing like that actually happened. On the contrary! Instead of an increase in job vacancies, unemployment has grown exponentially since November 1989. On the one hand workers in various sectors are being dismissed. On the other, many firms have coupled the dismissal of workers with a hiring freeze. New production profiles and new structures are cited as the reason for this development. The following situation thus developed:

a) A group of unemployed persons emerged, who applied for unemployment compensation at the employment exchanges. According to reports on the employment situation, issued by the Ministry for Labor and Wages, this group consisted of exactly 10,753 persons on 28 February 1990, 13,772 on 2 March 1990, about 28,000 on 28 March 1990 and roughly 70,000 on 11 May 1990.

b) There is a second group of workers who already know the date they are going to lose their jobs. These workers are in receipt of transition payments from their employers and therefore not yet registered at the employment exchanges. According to our investigations, this group is significantly larger than the one cited in a).

The development described above is accompanied by a definite decline in job vacancies: The latter still amounted to 159,000 at end January but had dropped to 117,440 in mid-March and to 73,000 by early May. We must also recognize that the real growth of unemployment is still to come. The reason for this expected development is the low productivity in the GDR. According to the calculations by the German Institute for Economic Research, productivity in the GDR amounts to only 47-50 percent of that in the FRG. Based on this higher productivity, the steel strip combine (for example) has about 15,000 excess personnel. Measured by FRG standards, 37 GDR industries have 850,000 employees too many.² Our investigations revealed the following total release potential:

- Decrease or dissolution of some parts of the state apparatus (coupled with negative connotations (as for instance with respect to former members of the State Security Service);
- Early release from the National People's Army and dissolution of some National People's Army units;
- Dissolution/decreases in full-time jobs in the organs of social organizations (SED/PDS [Socialist Unity Party of Germany/Party of Democratic Socialism], FDJ [Free German Youth], GST [Society for Sport and Technology], DTSB [German Gymnastics and Sports Federation], National Front, FDGB [Free German Labor Union Federation]);
- Dissolution/decreases in scientific establishments, colleges, universities and technical schools;
- Dissolution/decreases in the management and administration of combines and enterprises, whether in the course of combine disassembly, or the cessation of operations (for example the innovator movement, the fair of the masters of tomorrow, enterprise competition, planning, enterprise training, but also in research and development, and in the areas of factory safety and balancing of accounts);³
- The gradual closure of unprofitable enterprises (in Rosslau, for example);
- Manpower reduction as a consequence of the introduction of modern equipment (for instance in the course of the introduction of joint ventures or reprivatization);
- Factory closures due to ecological considerations.

The available data indicate that the last three measures, in particular, may result in manpower cuts in spectacular dimensions.

2. The Structure of The Unemployed, Those Threatened With Unemployment

As was to be expected, the majority of those who described what had happened to them lived in large cities and industrial districts: 22 percent in Berlin, 15 percent in Dresden, 15 percent in Karl-Marx-Stadt and 13 percent in Leipzig. By contrast, only two percent each of the letters received came from Neubrandenburg, Rostock and Schwerin. This state of affairs is very likely going to change; we can already foresee this by comparing the manpower employed in farming in the GDR and the FRG: Farming in the FRG employs 1.5 workers per 100 hectares, the corresponding GDR figure is 12.

As regards composition by sex and age, our results differ from the perceptions of the Ministry for Labor and Wages. Our investigations, for example, arrived at a 47 percent share of women, whereas only 40 percent of applicants for unemployment benefits registered at the employment exchanges were women. With respect to the age structure, the difference in the group of youths up to

25 is particularly remarkable. While our investigations revealed no more than two percent in this group, the employment exchanges record 13 percent. Admittedly, these differences could be foreseen from some indications in the letters received. The letters came from persons released early from the army, from secondary and other school graduates of the class of 1990. We are also increasingly receiving indications of the failure of apprentices to obtain jobs after completing their apprenticeships.

Significant differences also show up in the composition of the unemployed among the older age groups. Our investigations arrived at a 12 percent share of 56-65 years old persons, the employment exchanges on the other hand registered only five percent. This difference may be accounted for by a difference in compilation. The employment exchanges recorded women from 55 and men from 60 on, while we counted women and men from 56. (The early retirement regulation was not yet in effect at the time of our studies.) The age structure is important in so far as it needs to be considered with regard to the development of retraining policies. Also to be taken into account are skills, work and life experience and the difference in the mobility of the various age groups. Almost 60 percent of the persons studied had held the same job for more than 10 years, 20 percent for more than 20 years.

The vast majority of those affected are married. This results in some feeling of social security provided by the partner. However, we should note that almost 50 percent say their partner's job is also threatened or the job loss actually imminent. We also need to emphasize that some 20 percent of the women are single mothers. In addition almost 60 percent of the workers affected have children, and 60 percent of these have two or more dependent children living at home. There are some indications to warn us that women will suffer more unemployment than men, and we therefore think that there will be a need for legal regulations. In so far as this development results in the loss of independence for women (and that happens whenever women are more affected by unemployment—see the FRG), it will be necessary to issue regulations for the welfare of women hitherto working only in the home. In addition we will require some measures to counteract the loss of self-confidence by the women affected.

A comparison of the qualification structure of persons registered with the employment exchanges and our sample also indicates a change. It is primarily occurring among released technical school and college graduates in the direction of steeply rising percentages of skilled, semiskilled and unskilled workers. In March, 25 percent of the unemployed registered at the employment exchanges were either college or technical school graduates, 50 percent were skilled workers, 23 percent skilled workers with limited qualifications, unskilled or semiskilled workers. Only 20 percent among those registered in May were university and technical school cadres. However, we must remember that not only were far

more university and technical school cadres dismissed in the "first wave," they also tend to a far greater extent to describe their situation in writing.

More than 25 percent of the university cadres in our sample held doctoral degrees. The following lists the sequence of the professions most frequently represented (we have compiled to date a total of 68 professions—including multiple qualifications):

1. Graduate engineer-economist/engineer-economist
2. Graduate engineer/engineer
3. Graduate instructor for Marxism/Leninism
4. Graduate political scientist
5. Graduate economist
6. Commercial businessman
7. Graduate Social Scientist
8. Industrial businessman

This list shows that even those professions are affected, that are in demand especially in market economic circumstances (see Nos 1, 2, 5, 6, 8). Any retraining measures will have to take this structure into account. As for employment characteristics, our assessment yielded the following table of ranking:

1. Industry (almost 50 percent of those affected)
2. Science/teaching
3. State organs
4. Armed services
5. Social organizations and parties
6. Local authority organs

This shows that industry and science, precisely the employment sectors of the greatest importance for future developments, accounted for the majority of first wave dismissals.

3. Vacancies

Sixty percent of the persons included in our investigations have not had any job offers at all. Only 10 percent of vacancies called for the qualified personnel available, and in only one case was a vacancy deemed to be appropriate. (The latter must be emphasized insofar as appropriateness may be suable as per the labor code). In all, 14 percent of the unemployed received an offer from the employment exchange and 21 percent from their former employers.

The letters received here allowed us to calculate that roughly 15 percent of the writers were dismissed by their employers in violation of the labor code. They include cases such as the dismissal of pregnant women, handicapped persons, and persons just short of retirement age;

the nonobservance of periods of notice; the refusal to reinstate employees upon completion of conscript service or the maternity year. We were informed that in Luckenwald Kreis 70 percent of amnestied persons were in possession of suspended labor code employment contracts, but that only 20 percent of these contracts were reinstated. This information agrees with indications from other letters that point out that former prison inmates and socially endangered persons are the first to be dismissed.

The disturbing situation with respect to job offers is demonstrated in the following statements by unemployed persons (one statement per person):

- in Dresden more than 100 applications, nobody hired;
- in Halle more than 50 applications, nobody hired;
- in Potsdam more than 30 applications, all refused;
- in Wolfen 24 jobs applied for, nobody hired;
- in Angermünde/Eberswalde/Schwedt more than 25 applications, nobody hired.

The Berlin-Friedrichshain employment exchange published 11 vacancies, 5 of them obsolete. Other job seekers also reported the publication of vacancies already filled: In Berlin-Lichtenberg 30 job seekers applied for 10 vacancies for unskilled workers in a home for handicapped children. Evidently the notifications on bulletin boards and computerized lists at the employment exchanges are obsolete due to the lack of updated reports from the enterprises. In some cases the vacancies displayed had already been filled months before.

In addition to the letters received and to our poll, we have statements on the situation in 24 employment exchanges, including 4 reports from the actual exchanges. Some of the letters sharply criticize the operation of the employment exchanges while appreciating the individual efforts of the personnel. Summarizing the reports: The employment exchanges are short of materials and personnel; the personnel are not sufficiently trained; the structure is not adequate to the new challenges; and the employment exchanges are unaware of retraining opportunities and needs.

The employment exchanges, for their part, criticize some enterprises for deliberately holding on to vacancies in order to wait and see how the situation will develop. This attitude objectively obstructs the work of the employment exchanges. The latter note efforts by the enterprises to become lean and mean—taking the opportunity to rid themselves of “problem employees.” It remains to be seen whether the “Decree on the Tasks, Rights and Duties of Employment Exchanges and Enterprises to Safeguard the Right to Work,” issued on 8 March 1990⁴, will ameliorate this situation. The same applies to the newly established Central Labor Administration at the Ministry for Labor and Wages.

The Psychological Effects of Unemployment

Many books published in Western countries have described the psychological effects of unemployment. We assume that the effects of unemployment in the GDR are and will be longer-lasting. This is due to the earlier-described attitude of the socialist society toward unemployment, the former social security [system], and the suddenness of the emergence of unemployment in the GDR. We think that these considerations intensify the psychological effect of unemployment.

Those affected consider unemployment to be something demeaning (involving, for example, the need to accept welfare). Unemployment leads to depression, lethargy, despair, fear of the future, and the dimming of vitality. The jobless describe themselves as helpless, restless, discouraged, and apathetic. Unemployment leads to family quarrels, nervous disorders and, ultimately, physical illness. A significant percentage told us of suicidal impulses, consider the only alternative to be emigration from the GDR, or expounded extreme views. These effects are surely emphasized also by the fact that 40 percent of the people in our sample now live off the salaries of their spouse, savings or temporary jobs.

5. Claims to a New Job

We think extraordinarily important the ideas of the unemployed with regard to a new job. These ideas demonstrate the extensive efforts needed to cope with unemployment. Demands and willingness are demonstrated in the following list (multiple mentions were permitted):

1. The job should be within the residential district or close to it (about 80 percent).
2. I would be ready to train in a similar field of work (about 70 percent).
3. I must not be considerably worse off (about 57 percent).
4. The job should be suitable with regard to the state of my health (37 percent).
5. I would be willing to return to my original profession (25 percent, mostly skilled workers).
6. A preretirement regulation would be most welcome (20 percent).
7. I would be willing to move to another district (11 percent).
8. The job should be appropriate to my former work.
9. I would accept any job (10 percent).

Notable here is the lack of territorial mobility, and this lack must be taken into account with respect to future structural decisions. At the same time, retraining schemes can rely on much readiness to acquire new skills. Still, we must emphasize that it is imperative after

retraining to change attitudes and convictions with regard to job security, and to make these the topic of public discussion. It must always be pointed out that retraining does indeed increase opportunities on the job market, but that it is up to the individual job seeker's initiative and activism to take advantage of the opportunities offered rather than, as hitherto, to rely on the social system to provide employment. The same applies to pursuing higher education which also no longer guarantees appropriate employment after graduation.

6. Some Conclusions

The present situation requires first of all the rapid reestablishment of the enforcement of the labor code and the rights of enterprise labor union representatives. It also and urgently requires a proper forecast with respect to the development of the labor market in connection with economic reforms. If we assume that the FRG model is to be adopted, the respective ministries should rapidly and appropriately have such forecasts drawn up, with the aim of securing present jobs and creating new ones. Retraining programs oriented to future labor market needs must then be set up on the basis of these forecasts. We can already discern manpower needs in the following categories:

1. For a strong future middle class (which may be prepared by the retraining of economists and engineers to deal with marketing and management issues). This will require much greater emphasis on the professions of financial and tax consultants.
2. For the improvement/renewal of the infrastructure and urban construction, a significant growth of the services sector, including private enterprise in this field.
3. For the extension of social work to help the weaker and endangered social groups. This purpose may also be served by the extension of premises now used by the national citizens' movement so as to provide premises for self-help, welfare, counseling, and communications.
4. For the ecological organization of the economy, opportunities for alternative job creation should be investigated (in the energy sector, for example).

It will be extremely urgent to improve the technical equipment of the employment exchanges and, at the same time, employ more personnel there, especially personnel well trained in social work. It will also be necessary in future to examine investments with greater emphasis on their effects on the labor market and to encourage job creation (including jobs for the socially weaker groups)—possibly by means of tax relief. Investment activities and job creation need to be coordinated with the regional situation and the demands arising therefrom. Priority should be given to regions particularly hard hit by unemployment. We must be concerned with creating a forward looking and job-oriented structural and economic policy. Local authorities ought to be granted more scope for the implementation of job creating initiatives. Labor unions and workers should be

encouraged to involve themselves in all enterprises processes affecting the job situation. Future private enterprises should commit themselves to the creation of new jobs. More jobs could be provided by reducing overtime.

It will be imperative to require enterprises, before the dismissal of workers, to carry out retraining measures in order either to shift them to a new job within the firm or to improve their opportunities on the labor market. Unemployment on the terms of the market economy will, in the GDR, result in permanent unemployment and unemployment as a permanent phenomenon. It is of the utmost importance to quickly introduce a social safety net and an amended labor code, appropriate to the situation of the GDR. We consider urgently necessary the introduction of a comprehensive unemployment code in addition to the labor code that applies to gainfully employed persons exclusively. Such measures might stop gaps in current regulations as well as imposing regulations that have now become necessary.

Footnotes

1. Compare the Decree on the Granting of Preretirement Money, of 8 Feb. 1990, as well as the Decree on the Granting of State Support and Enterprise Compensation Payments to Citizens During the Period of Job Placement, of 8 Feb. 1990, GBl. [Gesetz-Blatt] I 1990, No. 12.
2. C. Schwartz, "Risks and Opportunities for Future Efforts and Economic Policy of the Unions," paper presented at a conference, on 2 March 1990, Berlin (West).
3. Examples of kombinat managements currently in liquidation: Kombinat Schienenfahrzeugbau Berlin, Kombinat Spezialtechnik Dresden, Kombinat Plaste/Chemie, Wohnungsbaukombinat Halle, Moebelkombinat Suhl, Bezirksgeleitetes Kombinat Schwarzenberg.
4. GBl. I 1990, No. 18.

HUNGARY

AIDS Data Provided

25000777B Budapest MAGYARORSZAG in Hungarian
No 31, 27 Jul 90 p 22

[Article by B. Csaba Almasi: "Alarming Data"]

[Excerpt] [passage omitted] As of today, Hungary is among the relatively less contaminated regions. According to most recent data, since the beginning of screening in 1985, from among the total number of 221 persons (of these 33 are foreigners) recorded as HIV positive, 41 developed the disease, and 23 of these died. The way the number of newly developed cases is taking shape shows an interesting tendency. While in 1986 there were only two new cases, a year later there were five. Eight new cases were recorded in 1988, and last year

there were 17 new cases already. But according to present data it is unlikely that this doubling will continue this year.

Despite this, in the view of professor Ferenc Varnai [department head for Contagious and Tropical Diseases at the Continuing Medical Training University, and director of Laszlo Hospital], the government endeavors to prepare to face the tasks that may be anticipated. The Ministry of Public Welfare and the National AIDS Committee prepared plans for further developing patient care. At present only Laszlo Hospital of Budapest handles AIDS patients. But the possible increase in the number of contaminated persons, patients may make it necessary to establish specialized AIDS units in certain larger hospitals in the countryside. [passage omitted]

Rabbinical Council Rids Itself of Lay Supervision

90CH0311A Budapest NEPSZABADSAG in Hungarian
22 Jun 90 p 4

[MTI Report: "The Rabbis Renew Themselves"]

[Text] "The Body of Hungarian Rabbis did not, and does not want to perpetrate a coup, it did not, and does not aspire to assume the power held by lay leaders of the Hungarian Jewry, and intends to serve the Torah and the interests of the Hungarian Jewry also in the future," Dr. Alfred Schoner, chairman of the National Rabbinical Council replied to the question raised by an MTI reporter: Why then did he agree to do so after the full session of the National Representation of Hungarian Israelites [MIOK] and of the Budapest Religious Community of Israelites [BIH] confirmed him in his position the other day.

In his further remarks the chief rabbi had this to say:

"We would like to support the survival of the Hungarian Jewry and unity among small Jewish communities. For four decades the Jewish community was directed by lay leaders, by a five-member presidium. The rabbis, the real leaders of Jews in Hungary, were subordinate to the presidium. Late last December the full meeting of MIOK

and BIH decided to change the community's structure consistent with these requirements, and to separate the task performed by the lay and the religious leaders of the community.

"They agreed that rabbis should direct the community's religious, educational, religious-cultural and charitable affairs, while its business affairs will be directed by lay leaders. They are drafting new organizational rules. In these they will establish the legal status of the community, and will specify how to elect its leaders in a democratic way. This 'draft constitution' will be debated by Jewish communities and organizations, and their recommendations will be considered in formulating the constitution.

"Although I have urged this change several times both verbally and in writing, the resolution of the highest representative organ of the Hungarian Jewry was not implemented. This is why I decided already a month ago to resign my office. In this way I registered my protest to the delays, and called the attention of the Hungarian Jewry to the need for change.

"Participants of the session held a few days ago voted confidence in me, at the same time, effective immediately, they relieved the presidium [of its duties]. They elected a new lay leader, whose workings will be assisted by the body of rabbis and by representatives of Jewish organizations. Jointly with the body of rabbis, this social organization will continuously attend to the affairs of the community, will draft new organizational rules which the communities will debate, and which will be submitted to the general meeting to be convened in late November or early December. Thereafter the Hungarian Jewish communities will elect new leaders, and will delegate representatives to the 'parliament' of the religious community to elect the religious and lay leaders of the Hungarian Jewry in a democratic manner."

They are also planning to publish religious, cultural and scientific works. Starting in September, they will open a new school, and in the more than 100-year-old National Rabbinical Institute they will train educators who may teach Jewish and perhaps non-Jewish studies in the educational institutions of the country.

END OF

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10 Oct. 1990